FIRST COMMONWEALTH FINANCIAL CORP /PA/
Form 10-Q
August 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2015

Or

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

For the transition period from to

Commission File Number 001-11138

First Commonwealth Financial Corporation
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Large accelerated filer x Accelerated filer ¨ Smaller reporting company ¨ Non-accelerated filer ¨
(Do not check if a smaller reporting company)

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

The number of shares outstanding of issuer’s common stock, $1.00 par value, as of August 7, 2015, was 88,961,268.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)

	June 30, 2015	December 31, 2014
	(dollars in thousands, except share data)	
Assets		
Cash and due from banks	$64,321	$72,276
Interest-bearing bank deposits	3,120	2,262
Securities available for sale, at fair value	1,089,725	1,309,819
Securities held to maturity, at amortized cost (Fair value of $130,454 at June 30, 2015)	131,780	—
Other investments	53,347	44,545
Loans held for sale	9,817	2,502
Loans:		
Portfolio loans	4,490,854	4,457,308
Allowance for credit losses	(45,344)	(52,051)
Net loans	4,445,510	4,405,257
Premises and equipment, net	63,404	64,989
Other real estate owned	6,539	7,197
Goodwill	161,429	161,429
Amortizing intangibles, net	1,352	1,665
Bank owned life insurance	180,005	177,567
Other assets	106,379	110,777
Total assets	$6,316,728	$6,360,285
Liabilities		
Deposits (all domestic):		
Noninterest-bearing	$1,068,230	$989,027
Interest-bearing	3,141,877	3,326,484
Total deposits	4,210,107	4,315,511
Short-term borrowings	1,231,917	1,105,876
Subordinated debentures	72,167	72,167
Other long-term debt	39,189	89,459
Total long-term debt	111,356	161,626
Other liabilities	52,142	61,127
Total liabilities	5,605,522	5,644,140
Shareholders’ Equity		
Preferred stock, $1 par value per share, 3,000,000 shares authorized, none issued	—	—
Common stock, $1 par value per share, 200,000,000 shares authorized; 105,563,455 shares issued at June 30, 2015 and December 31, 2014, and 88,960,268 and 91,723,028 shares outstanding at June 30, 2015 and December 31, 2014, respectively	105,563	105,563
Additional paid-in capital	365,933	365,615
Retained earnings	368,060	353,027
Accumulated other comprehensive loss, net	(140)	(4,499)

Treasury stock (16,603,187 and 13,840,427 shares at June 30, 2015 and December 31, 2014, respectively)	(128,210)	(103,561)
Total shareholders’ equity	711,206	716,145
Total liabilities and shareholders’ equity	$6,316,728	$6,360,285

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

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ITEM 1. Financial Statements and Supplementary Data (Continued)
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(dollars in thousands, except share data)			
Interest Income				
Interest and fees on loans	$42,650	$42,192	$85,251	$85,290
Interest and dividends on investments:				
Taxable interest	6,735	7,334	13,552	14,514
Interest exempt from federal income taxes	210	64	385	68
Dividends	553	574	2,042	796
Interest on bank deposits	2	2	5	4
Total interest income	50,150	50,166	101,235	100,672
Interest Expense				
Interest on deposits	1,880	3,416	4,030	6,923
Interest on short-term borrowings	1,116	477	2,074	946
Interest on subordinated debentures	579	571	1,148	1,137
Interest on other long-term debt	205	319	441	692
Total interest expense	3,780	4,783	7,693	9,698
Net Interest Income	46,370	45,383	93,542	90,974
Provision for credit losses	3,038	3,317	4,197	6,548
Net Interest Income after Provision for Credit Losses	43,332	42,066	89,345	84,426
Noninterest Income				
Net securities gains	20	2	125	2
Trust income	1,476	1,474	2,897	2,909
Service charges on deposit accounts	3,872	4,141	7,190	7,933
Insurance and retail brokerage commissions	2,178	1,600	4,373	2,995
Income from bank owned life insurance	1,378	1,432	2,732	2,801
Gain on sale of loans	627	76	1,066	76
Gain on sale of other assets	354	2,089	578	3,670
Card related interchange income	3,729	3,655	7,147	7,021
Other income	2,713	2,533	4,430	4,515
Total noninterest income	16,347	17,002	30,538	31,922
Noninterest Expense				
Salaries and employee benefits	22,001	21,897	43,893	42,941
Net occupancy expense	3,316	3,283	7,227	6,789
Furniture and equipment expense	2,630	5,249	5,310	10,579
Data processing expense	1,509	1,542	2,947	3,010
Pennsylvania shares tax expense	1,110	1,038	1,904	1,749
Intangible amortization	156	178	312	356
Collection and repossession expense	917	449	1,428	1,158
Other professional fees and services	945	691	1,875	1,715
FDIC insurance	1,025	1,051	2,084	2,100
Loss on sale or write-down of assets	1,635	745	1,897	1,180

Operational losses (recoveries)	323	229	1,323	(460)
Conversion related expenses	—	539	—	893
Other operating expenses	5,067	5,505	10,288	10,273
Total noninterest expense	40,634	42,396	80,488	82,283
Income Before Income Taxes	19,045	16,672	39,395	34,065
Income tax provision	5,598	4,744	11,727	9,837
Net Income	$13,447	$11,928	$27,668	$24,228
Average Shares Outstanding	88,922,392	93,794,589	89,893,662	94,166,936
Average Shares Outstanding Assuming Dilution	88,939,003	93,811,543	89,903,550	94,177,831
Per Share Data:				
Basic Earnings per Share	$0.15	$0.13	$0.31	$0.26
Diluted Earnings per Share	$0.15	$0.13	$0.31	$0.26
Cash Dividends Declared per Common Share	$0.07	$0.07	$0.14	$0.14

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

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ITEM 1. Financial Statements and Supplementary Data (Continued)
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net Income	$13,447	$11,928	$27,668	$24,228
Other comprehensive (loss) income, before tax benefit (expense):				
Unrealized holding (losses) gains on securities arising during the period	(3,814)	9,950	6,166	22,407
Less: reclassification adjustment for gains on securities included in net income	(20)	(2)	(125)	(2)
Unrealized holding (losses) gains on derivatives arising during the period	(527)	—	668	—
Less: reclassification adjustment for gains on derivatives included in net income	(11)	—	(6)	—
Total other comprehensive (loss) income, before tax benefit (expense)	(4,372)	9,948	6,703	22,405
Income tax benefit (expense) related to items of other comprehensive (loss) income	1,530	(3,478)	(2,344)	(7,839)
Total other comprehensive (loss) income	(2,842)	6,470	4,359	14,566
Comprehensive Income	$10,605	$18,398	$32,027	$38,794

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

ITEM 1. Financial Statements and Supplementary Data (Continued)
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total Shareholders' Equity
	(dollars in thousands, except share and per share data)						
Balance at December 31, 2014	91,723,028	$105,563	$365,615	$353,027	$ (4,499)	$(103,561)	$716,145
Net income				27,668			27,668
Other comprehensive income					4,359		4,359
Cash dividends declared ($0.14 per share)				(12,635)			(12,635)
Treasury stock acquired	(2,918,066)					(25,383)	(25,383)
Treasury stock reissued	20,936		32	—		160	192
Restricted stock	134,370	—	286	—		574	860
Balance at June 30, 2015	88,960,268	$105,563	$365,933	$368,060	$ (140)	$(128,210)	$711,206

	Shares Outstanding	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total Shareholders' Equity
	(dollars in thousands, except share and per share data)						
Balance at December 31, 2013	95,245,215	$105,563	$365,333	$334,748	$ (20,588)	$(73,359)	$711,697
Net income				24,228			24,228
Other comprehensive income					14,566		14,566
Cash dividends declared ($0.14 per share)				(13,205)			(13,205)
Discount on dividend reinvestment plan purchases			(65)				(65)
Treasury stock acquired	(1,603,350)					(13,407)	(13,407)
Treasury stock reissued	21,960		35	—		157	192

Restricted stock	88,987	—	247	—		251	498
Balance at June 30, 2014	93,752,812	$105,563	$365,550	$345,771	$ (6,022)	$(86,358)	$724,504

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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ITEM 1. Financial Statements and Supplementary Data (Continued)
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Six Months Ended June 30,	
	2015	2014
Operating Activities	(dollars in thousands)	
Net income	$27,668	$24,228
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	4,197	6,548
Deferred tax expense	7,102	4,918
Depreciation and amortization	3,802	8,436
Net gains on securities and other assets	(235)	(2,843)
Net amortization of premiums and discounts on securities	1,151	1,000
Net accretion of premiums and discounts on long term debt	—	(37)
Income from increase in cash surrender value of bank owned life insurance	(2,732)	(2,576)
Decrease in interest receivable	74	668
Mortgage loans originated for sale	(39,941)	—
Proceeds from sale of mortgage loans	36,079	—
Decrease in interest payable	(200)	(288)
Increase in income taxes payable	503	998
Other-net	(14,817)	5,685
Net cash provided by operating activities	22,651	46,737
Investing Activities		
Transactions with securities held to maturity:		
Proceeds from maturities and redemptions	1,115	—
Purchases	(131,145)	—
Transactions with securities available for sale:		
Proceeds from maturities and redemptions	235,971	152,846
Purchases	(10,800)	(153,310)
Purchases of FHLB stock	(29,251)	(18,659)
Proceeds from the redemption of FHLB stock	20,449	10,025
Proceeds from bank owned life insurance	294	939
Proceeds from sale of loans	102	3,112
Proceeds from sale of other assets	2,282	9,500
Net increase in loans	(48,785)	(66,085)
Purchases of premises and equipment	(2,521)	(6,229)
Net cash provided by (used in) investing activities	37,711	(67,861)
Financing Activities		
Net increase in federal funds purchased	15,000	13,000
Net increase in other short-term borrowings	111,041	206,259
Net decrease in deposits	(105,404)	(143,441)
Repayments of other long-term debt	(50,270)	(7,675)
Discount on dividend reinvestment plan purchases	—	(65)
Dividends paid	(12,635)	(13,205)
Proceeds from reissuance of treasury stock	192	192
Purchase of treasury stock	(25,383)	(13,369)

Net cash (used in) provided by financing activities	(67,459)	41,696
Net (decrease) increase in cash and cash equivalents	(7,097)	20,572
Cash and cash equivalents at January 1	74,538	77,439
Cash and cash equivalents at June 30	$67,441	$98,011

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.
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ITEM 1. Financial Statements and Supplementary Data
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1 Basis of Presentation
The accounting and reporting policies of First Commonwealth Financial Corporation and its subsidiaries ("First Commonwealth" or the "Company") conform with generally accepted accounting principles in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual realized amounts could differ from those estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of First Commonwealth's financial position, results of operations, comprehensive income, cash flows and changes in shareholders' equity as of and for the periods presented.
The results of operations for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the full year of 2015. These interim financial statements should be read in conjunction with First Commonwealth's 2014 Annual Report on Form 10-K.
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing bank deposits. Generally, federal funds are sold for one-day periods.
Note 2 Supplemental Comprehensive Income Disclosures
The following table identifies the related tax effects allocated to each component of other comprehensive income ("OCI") in the Condensed Consolidated Statements of Comprehensive Income. Reclassification adjustments related to securities available for sale are included in the "Net securities gains" line and reclassification adjustments related to losses on derivatives are included in the "Other operating expenses" line in the Condensed Consolidated Statements of Income.

	For the Six Months Ended June 30,					
	2015			2014		
	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(dollars in thousands)					
Unrealized gains on securities:						
Unrealized holding gains on securities arising during the period	$6,166	$ (2,156)	$4,010	$22,407	$ (7,840)	$14,567
Reclassification adjustment for gains on securities included in net income	(125)	44	(81)	(2)	1	(1)
Total unrealized gains on securities	6,041	(2,112)	3,929	22,405	(7,839)	14,566
Unrealized gains on derivatives:						
Unrealized holding gains on derivatives arising during the period	668	(234)	434	—	—	—
Reclassification adjustment for gains on derivatives included in net income	(6)	2	(4)	—	—	—
Total unrealized losses on derivatives	662	(232)	430	—	—	—
Total other comprehensive income	$6,703	$ (2,344)	$4,359	$22,405	$ (7,839)	$14,566

ITEM 1. Financial Statements and Supplementary Data
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Three Months Ended June 30,					
	2015			2014		
	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(dollars in thousands)					
Unrealized (losses) gains on securities:						
Unrealized holding (losses) gains on securities arising during the period	$(3,814)	$ 1,335	$(2,479)	$9,950	$ (3,479)	$6,471
Reclassification adjustment for gains on securities included in net income	(20)	7	(13)	(2)	1	(1)
Total unrealized (losses) gains on securities	(3,834)	1,342	(2,492)	9,948	(3,478)	6,470
Unrealized losses on derivatives:						
Unrealized holding losses on derivatives arising during the period	(527)	184	(343)	—	—	—
Reclassification adjustment for gains on derivatives included in net income	(11)	4	(7)	—	—	—
Total unrealized losses on derivatives	(538)	188	(350)	—	—	—
Total other comprehensive (loss) income	$(4,372)	$ 1,530	$(2,842)	$9,948	$ (3,478)	$6,470

The following table details the change in components of OCI for the six months ended June 30:

	2015				2014			
	Securities Available for Sale	Post-Retirement Obligation	Derivatives	Accumulated Other Comprehensive Income	Securities Available for Sale	Post-Retirement Obligation	Derivatives	Accumulated Other Comprehensive Income
	(dollars in thousands)							
Balance at December 31	$(4,875)	$ 76	$ 300	$ (4,499)	$(20,868)	$ 280	$ —	$ (20,588)
Other comprehensive income before reclassification adjustment	4,010	—	434	4,444	14,567	—	—	14,567
Amounts reclassified from accumulated other comprehensive (loss) income	(81)	—	(4)	(85)	(1)	—	—	(1)
Net other comprehensive income during the period	3,929	—	430	4,359	14,566	—	—	14,566
Balance at June 30	$(946)	$ 76	$ 730	$ (140)	$(6,302)	$ 280	$ —	$ (6,022)

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ITEM 1. Financial Statements and Supplementary Data
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Supplemental Cash Flow Disclosures

The following table presents information related to cash paid during the period for interest, as well as detail on non-cash investing and financing activities for the six months ended June 30:

	2015	2014
	(dollars in thousands)	
Cash paid during the period for:		
Interest	$7,893	$10,024
Income taxes	4,000	3,700
Non-cash investing and financing activities:		
Loans transferred to other real estate owned and repossessed assets	2,315	2,726
Loans transferred from held to maturity to held for sale	3,071	3,035
Gross increase in market value adjustment to securities available for sale	6,036	22,397
Gross increase in market value adjustment to derivatives	662	—
Investments committed to purchase, not settled	1,817	2,732
Unsettled treasury stock repurchases	—	38
Proceeds from death benefit on bank-owned life insurance not received	—	1,062

Note 4 Earnings per Share

The following table summarizes the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average common shares issued	105,563,455	105,563,455	105,563,455	105,563,455
Average treasury stock shares	(16,445,760)	(11,584,636)	(15,480,232)	(11,232,622)
Average unearned nonvested shares	(195,303)	(184,230)	(189,561)	(163,897)
Weighted average common shares and common stock equivalents used to calculate basic earnings per share	88,922,392	93,794,589	89,893,662	94,166,936
Additional common stock equivalents (nonvested stock) used to calculate diluted earnings per share	16,611	16,954	9,888	10,895
Additional common stock equivalents (stock options) used to calculate diluted earnings per share	—	—	—	—
Weighted average common shares and common stock equivalents used to calculate diluted earnings per share	88,939,003	93,811,543	89,903,550	94,177,831

The following table shows the number of shares and the price per share related to common stock equivalents that were not included in the computation of diluted earnings per share for the six months ended June 30 because to do so would have been antidilutive.

	2015			2014		
		Price Range			Price Range	
	Shares	From	To	Shares	From	To
Stock Options	—	$—	$—	15,000	$14.55	$14.55
Restricted Stock	146,933	5.26	9.26	93,268	5.96	9.18

Note 5 Commitments and Contingent Liabilities

Commitments and Letters of Credit

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

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$1,610,767	$1,635,948
Financial standby letters of credit	26,287	36,075
Performance standby letters of credit	25,878	25,915
Commercial letters of credit	2,146	2,611

The notional amounts outstanding as of June 30, 2015 include amounts issued in 2015 of $7.8 million in financial standby letters of credit and $1.8 million in performance standby letters of credit. There have been no commercial letters of credit issued during 2015. A liability of $0.2 million has been recorded as of June 30, 2015 and December 31, 2014, 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 related to these commitments resulted in the recording of a liability of $3.8 million as of June 30, 2015 and $3.1 million as of December 31, 2014. This liability is reflected in "Other liabilities" in the Condensed Consolidated Statements of Financial Condition. The credit risk evaluation incorporated probability of default, loss given default and estimated utilization for the next twelve months for each loan category and the letters of credit.

Legal Proceedings

There are no material legal proceedings to which First Commonwealth or its subsidiaries are a party, or of which their property is the subject, except proceedings which arise in the normal course of business and, in the opinion of management, will not have a material adverse effect on the consolidated operations, financial position, comprehensive income or cash flow of First Commonwealth or its subsidiaries.

ITEM 1. Financial Statements and Supplementary Data
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 Investment Securities
Securities Available for Sale
Below is an analysis of the amortized cost and estimated fair values of securities available for sale at:

	June 30, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(dollars in thousands)							
Obligations of U.S. Government Agencies:								
Mortgage-Backed Securities – Residential	$21,846	$2,516	$(24)	$24,338	$23,344	$2,595	$(3)	$25,936
Obligations of U.S. Government-Sponsored Enterprises:								
Mortgage-Backed Securities – Residential	860,816	10,799	(8,715)	862,900	947,635	13,076	(9,830)	950,881
Mortgage-Backed Securities – Commercial	58	1	—	59	72	2	—	74
Other Government-Sponsored Enterprises	135,852	5	(228)	135,629	269,181	4	(1,308)	267,877
Obligations of States and Political Subdivisions	27,062	176	(173)	27,065	27,058	362	(43)	27,377
Corporate Securities	1,892	401	—	2,293	6,682	573	—	7,255
Pooled Trust Preferred Collateralized Debt Obligations	41,745	1,055	(7,279)	35,521	41,926	309	(13,236)	28,999
Total Debt Securities	1,089,271	14,953	(16,419)	1,087,805	1,315,898	16,921	(24,420)	1,308,399
Equities	1,920	—	—	1,920	1,420	—	—	1,420
Total Securities Available for Sale	$1,091,191	$14,953	$(16,419)	$1,089,725	$1,317,318	$16,921	$(24,420)	$1,309,819

Mortgage backed securities include mortgage backed obligations of U.S. Government agencies and obligations of U.S. Government-sponsored enterprises. These obligations have contractual maturities ranging from less than one year to approximately 30 years with lower anticipated lives to maturity due to prepayments. All mortgage backed securities contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact upon prepayment speeds; therefore, First Commonwealth uses computer simulation models to test the average life and yield volatility of all mortgage backed securities under various interest rate scenarios to monitor the potential impact on earnings and interest rate risk positions.

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

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The amortized cost and estimated fair value of debt securities available for sale at June 30, 2015, by contractual maturity, are shown below.

	Amortized Cost	Estimated Fair Value
	(dollars in thousands)	
Due within 1 year	$3,000	$2,999
Due after 1 but within 5 years	132,852	132,629
Due after 5 but within 10 years	25,655	25,676
Due after 10 years	45,044	39,204
	206,551	200,508
Mortgage-Backed Securities (a)	882,720	887,297
Total Debt Securities	$1,089,271	$1,087,805

(a) Mortgage Backed Securities include an amortized cost of $21.8 million and a fair value of $24.3 million for Obligations of U.S. Government agencies issued by Ginnie Mae and an amortized cost of $860.9 million and a fair value of $863.0 million for Obligations of U.S. Government-sponsored enterprises issued by Fannie Mae and Freddie Mac.

Proceeds from sales, gross gains (losses) realized on sales, maturities and other-than-temporary impairment charges related to securities available for sale were as follows for the six months ended June 30:

	2015	2014
	(dollars in thousands)	
Proceeds from sales	$—	$—
Gross gains (losses) realized:		
Sales Transactions:		
Gross gains	$105	$—
Gross losses	—	—
	105	—
Maturities and impairment		
Gross gains	20	2
Gross losses	—	—
Other-than-temporary impairment	—	—
	20	2
Net gains and impairment	$125	$2

Securities available for sale with an estimated fair value of $530.5 million and $563.2 million were pledged as of June 30, 2015 and December 31, 2014, respectively, to secure public deposits and for other purposes required or permitted by law.

Securities Held to Maturity

Below is an analysis of the amortized cost and fair values of debt securities held to maturity at June 30, 2015. There were no held to maturity securities at December 31, 2014.

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(dollars in thousands)			

Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities – Residential	$118,762	$—	$(1,117)	$117,645
Obligations of States and Political Subdivisions	13,018	5	(214)	12,809
Total Securities Held to Maturity	$131,780	$5	$(1,331)	$130,454

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The amortized cost and estimated fair value of debt securities held to maturity at June 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
	(dollars in thousands)	
Due within 1 year	$—	$—
Due after 1 but within 5 years	—	—
Due after 5 but within 10 years	8,061	7,964
Due after 10 years	4,957	4,845
	13,018	12,809
Mortgage-Backed Securities (a)	118,762	117,645
Total Debt Securities	$131,780	$130,454

(a) Mortgage Backed Securities include an amortized cost of $118.8 million and a fair value of $117.6 million for Obligations of U.S. Government-sponsored enterprises issued by Fannie Mae and Freddie Mac.

Securities held to maturity with an amortized cost of $11.2 million were pledged as of June 30, 2015 to secure public deposits and for other purposes required or permitted by law.

Note 7 Impairment of Investment Securities

Securities Available for Sale and Held to Maturity

As required by FASB ASC Topic 320, “Investments – Debt and Equity Securities,” credit related other-than-temporary impairment on debt securities is recognized in earnings, while non-credit related other-than-temporary impairment on debt securities not expected to be sold is recognized in OCI. During the six months ended June 30, 2015 and 2014, no other-than-temporary impairment charges were recognized.

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

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which the fair value has been lower than the cost, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer and whether we are more likely than not to sell the security. We evaluate whether we are more likely than not to sell debt securities based upon our investment strategy for the particular type of security and our cash flow needs, liquidity position, capital adequacy, tax position and interest rate risk position. In addition, the risk of future other-than-temporary impairment may be influenced by additional bank failures, weakness in the U.S. economy, changes in real estate values and additional interest deferrals in our pooled trust preferred collateralized debt obligations. Our pooled trust preferred collateralized debt obligations are beneficial interests in securitized financial assets within the scope of FASB ASC Topic 325, “Investments – Other,” and are therefore evaluated for other-than-temporary impairment using management’s best estimate of future cash flows. If these estimated cash flows indicate that it is probable that an adverse change in cash flows has occurred, then other-than-temporary impairment would be recognized in accordance with FASB ASC Topic 320. There is a risk that First Commonwealth will record other-than-temporary impairment charges in the future. See Note 10, “Fair Values of Assets and Liabilities,” for additional information.

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The following table presents the gross unrealized losses and estimated fair values at June 30, 2015 for both available for sale and held to maturity securities by investment category and time frame for which securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(dollars in thousands)					
Obligations of U.S. Government Agencies:						
Mortgage-Backed Securities – Residential	$2,243	$(24)	$—	$—	$2,243	$(24)
Obligations of U.S. Government-Sponsored Enterprises:						
Mortgage-Backed Securities – Residential	225,033	(2,057)	287,128	(7,775)	512,161	(9,832)
Other Government-Sponsored Enterprises	6,793	(7)	119,429	(221)	126,222	(228)
Obligations of States and Political Subdivisions	21,116	(387)	—	—	21,116	(387)
Pooled Trust Preferred Collateralized Debt Obligations	—	—	29,859	(7,279)	29,859	(7,279)
Total Securities	$255,185	$(2,475)	$436,416	$(15,275)	$691,601	$(17,750)

At June 30, 2015, fixed income securities issued by U.S. Government-sponsored enterprises comprised 57% of total unrealized losses due to changes in market interest rates. Pooled trust preferred collateralized debt obligations accounted for 41% of the unrealized losses primarily due to the illiquid market for this investment type. Obligations of U.S. Government agencies and obligations of state and political subdivisions account for the remaining 2% of total unrealized losses as a result of changes in market interest rates. At June 30, 2015, there are 70 debt securities in an unrealized loss position.
The following table presents the gross unrealized losses and estimated fair values at December 31, 2014 by investment category and time frame for which securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(dollars in thousands)					
Obligations of U.S. Government Agencies:						
Mortgage-Backed Securities – Residential	$2,318	$(3)	$—	$—	$2,318	$(3)
Obligations of U.S. Government-Sponsored Enterprises:						
Mortgage-Backed Securities – Residential	111,646	(419)	368,706	(9,411)	480,352	(9,830)
Other Government-Sponsored Enterprises	112,473	(229)	130,401	(1,079)	242,874	(1,308)
Obligation of States and Political Subdivisions	3,146	(43)	—	—	3,146	(43)
Pooled Trust Preferred Collateralized Debt Obligations	—	—	24,356	(13,236)	24,356	(13,236)
Total Securities	$229,583	$(694)	$523,463	$(23,726)	$753,046	$(24,420)

As of June 30, 2015, our corporate securities had an amortized cost and an estimated fair value of $1.9 million and $2.3 million, respectively. As of December 31, 2014, our corporate securities had an amortized cost and estimated fair value of $6.7 million and $7.3 million, respectively. Corporate securities are comprised of single issue trust preferred securities issued primarily by large regional banks. There were no corporate securities in an unrealized loss position as of June 30, 2015 and December 31, 2014. When unrealized losses exist on these investments, management reviews each of the issuer's asset quality, earnings trends and capital position, to determine whether issues in an unrealized loss position were other-than-temporarily impaired. All interest payments on the corporate securities are being made as contractually required.

As of June 30, 2015, the book value of our pooled trust preferred collateralized debt obligations totaled $41.7 million with an estimated fair value of $35.5 million, which includes securities comprised of 275 banks and other financial institutions. All of our pooled securities are mezzanine tranches, three of which now have no senior class remaining in the issue. The credit rating on all of our issues are below investment grade. At the time of initial issue, the subordinated tranches ranged in size from approximately 7% to 35% of the total principal amount of the respective securities and no more than 5% of any pooled security

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consisted of a security issued by any one institution. As of June 30, 2015, after taking into account management's best estimates of future interest deferrals and defaults, four of our securities had no excess subordination in the tranches we own and five of our securities had excess subordination which ranged from 11% to 84% of the current performing collateral.

The following table provides information related to our pooled trust preferred collateralized debt obligations as of June 30, 2015:

Deal	Class	Book Value	Estimated Fair Value	Unrealized Gain (Loss)	Moody's/ Fitch Ratings	Number of Banks	Deferrals and Defaults as a % of Current Collateral	Excess Subordination as a % of Current Performing Collateral
(dollars in thousands)								
Pre TSL IV	Mezzanine	$1,830	$1,331	$(499)	B1/BB	6	18.05 %	57.14 %
Pre TSL VII	Mezzanine	2,847	3,478	631	Ca/-	14	49.68	—
Pre TSL VIII	Mezzanine	1,982	1,791	(191)	C/C	29	58.01	—
Pre TSL IX	Mezzanine	2,358	1,906	(452)	B1/C	38	28.14	10.73
Pre TSL X	Mezzanine	1,553	1,889	336	Caa1/C	43	31.60	—
Pre TSL XII	Mezzanine	5,599	4,502	(1,097)	B3/C	66	23.76	—
Pre TSL XIII	Mezzanine	12,585	10,638	(1,947)	B3/C	56	25.64	37.87
Pre TSL XIV	Mezzanine	12,784	9,691	(3,093)	Caa1/CC	56	23.17	47.33
MMCap I	Mezzanine	207	295	88	Ca/C	8	58.11	84.18
Total		$41,745	$35,521	$(6,224)				

Lack of liquidity in the market for trust preferred collateralized debt obligations, below investment grade credit ratings and market uncertainties related to the financial industry are factors contributing to the impairment on these securities. All of the Company's pooled trust preferred securities are included in the non-exclusive list issued by the regulatory agencies and therefore are not considered covered funds under the Volcker Rule.

On a quarterly basis we evaluate our debt securities for other-than-temporary impairment. During the six months ended June 30, 2015 and 2014, there were no credit related other-than-temporary impairment charges recognized on our pooled trust preferred collateralized debt obligations. When evaluating these investments, we determine a credit-related portion and a non-credit related portion of other-than-temporary impairment. The credit related portion is recognized in earnings and represents the difference between book value and the present value of future cash flows. The non-credit related portion is recognized in OCI and represents the difference between the fair value of the security and the amount of credit-related impairment. A discounted cash flow analysis provides the best estimate of credit-related other-than-temporary impairment for these securities.

Additional information related to the discounted cash flow analysis follows:

Our pooled trust preferred collateralized debt obligations are measured for other-than-temporary impairment within the scope of FASB ASC Topic 325 by determining whether it is probable that an adverse change in estimated cash flows has occurred. Determining whether there has been an adverse change in estimated cash flows from the cash flows previously projected involves comparing the present value of remaining cash flows previously projected against the present value of the cash flows estimated at June 30, 2015. We consider the discounted cash flow analysis to be our primary evidence when determining whether credit related other-than-temporary impairment exists.

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

- Estimate of Future Cash Flows – Cash flows are constructed in an INTEX cash flow model which includes each deal's structural features. Projected cash flows include prepayment assumptions, which are dependent on the issuer's asset size and coupon rate. For collateral issued by financial institutions over $15 billion in asset size with a coupon over 7%, a 100% prepayment rate is assumed. Financial institutions over $15 billion with a coupon of 7% or under are assigned a prepayment rate of 40% for two years and 2% thereafter. Financial institutions with assets between $2 billion and $15 billion with coupons over 7% are assigned a 5% prepayment rate. For financial institutions below $2 billion, if the coupon is over 10%, a prepayment rate of 5% is assumed and for all other issuers, there is no prepayment assumption incorporated

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into the cash flows. The modeled cash flows are then used to estimate if all the scheduled principal and interest payments of our investments will be returned.

- Credit Analysis – A quarterly credit evaluation is performed for each of the 275 banks comprising the collateral across the various pooled trust preferred securities. Our credit evaluation considers all evidence available to us and includes the nature of the issuer’s business, its years of operating history, corporate structure, loan composition, loan concentrations, deposit mix, asset growth rates, geographic footprint and local economic environment. Our analysis focuses on profitability, return on assets, shareholders’ equity, net interest margin, credit quality ratios, operating efficiency, capital adequacy and liquidity.
- Probability of Default – A probability of default is determined for each bank and is used to calculate the expected impact of future deferrals and defaults on our expected cash flows. Each bank in the collateral pool is assigned a probability of default for each year until maturity. Currently, any bank that is in default is assigned a 100% probability of default and a 0% projected recovery rate. All other banks in the pool are assigned a probability of default based on their unique credit characteristics and market indicators with a 10% projected recovery rate. For the majority of banks currently in deferral we assume the bank continues to defer and will eventually default and, therefore, a 100% probability of default is assigned. However, for some deferring collateral there is the possibility that they become current on interest or principal payments at some point in the future and in those cases a probability that the deferral will ultimately cure is assigned. The probability of default is updated quarterly. As of June 30, 2015, default probabilities for performing collateral ranged from 0.33% to 75%.

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

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

Our cash flow analysis as of June 30, 2015, indicates that no credit-related other-than-temporary impairment has occurred on our pooled trust preferred securities during the six months ended June 30, 2015. Based upon the analysis performed by management, it is probable that four of our pooled trust preferred securities will experience principal and interest shortfalls and therefore appropriate other-than-temporary charges were recorded in prior periods. These securities are identified in the table on page 16 with 0% “Excess Subordination as a Percentage of Current Performing Collateral.” For the remaining securities listed in that table, our analysis as of June 30, 2015 indicates it is probable that we will collect all contractual principal and interest payments. For four of those securities, PreTSL IX, PreTSL XIII, PreTSL XIV and MMCap I, other-than-temporary impairment charges were recorded in prior periods; however, due to improvement in the expected cash flows of these securities, it is now probable that all contractual payments will be received.

During 2008, 2009 and 2010, other-than-temporary impairment charges were recognized on all of our pooled trust preferred securities, except for PreTSL IV. Our cash flow analysis as of June 30, 2015, for all of these impaired securities indicates that it is now probable we will collect principal and interest in excess of what was estimated at the time other-than-temporary impairment charges were recorded. This change can be attributed to improvement in the underlying collateral for these securities and has resulted in the present value of estimated future principal and interest payments exceeding the securities' current book value. The excess for each bond of the present value of future cash flows over our current book value ranges from 21% to 141% and will be recognized as an adjustment to yield over the remaining life of these securities. The excess subordination recognized as an adjustment to yield is reflected in the following table as increases in cash flows expected to be collected.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Balance, beginning (a)	$25,707	$27,254	$26,246	$27,543
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—	—	—
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—	—	—
Increases in cash flows expected to be collected, recognized over the remaining life of the security (b)	(341)	(412)	(662)	(701)
Reduction for debt securities called during the period	—	—	(218)	—
Balance, ending	$25,366	$26,842	$25,366	$26,842

(a) The beginning balance represents credit related losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.
(b) Represents the increase in cash flows recognized in interest income during the period.

In the first six months of 2015 and 2014, no other-than-temporary impairment charges were recorded on equity securities. On a quarterly basis, management evaluates equity securities for other-than-temporary impairment by reviewing the severity and duration of decline in estimated fair value, research reports, analysts' recommendations, credit rating changes, news stories, annual reports, regulatory filings, impact of interest rate changes and other relevant information. As of June 30, 2015 and 2014, there were no equity securities in an unrealized loss position.

Other Investments

As a member of the Federal Home Loan Bank ("FHLB"), First Commonwealth is required to purchase and hold stock in the FHLB to satisfy membership and borrowing requirements. The level of stock required to be held is dependent on the amount of First Commonwealth's mortgage-related assets and outstanding borrowings with the FHLB. This stock is restricted in that it can only be sold to the FHLB or to another member institution, and all sales of FHLB stock must be at par. As a result of these restrictions, FHLB stock is unlike other investment securities insofar as there is no trading market for FHLB stock and the transfer price is determined by FHLB membership rules and not by market participants. As of June 30, 2015 and December 31, 2014, our FHLB stock totaled $53.3 million and $44.5 million, respectively, and is included in "Other investments" on the Condensed Consolidated Statements of Financial Condition. FHLB stock is held as a long-term investment and its value is determined based on the ultimate recoverability of the par value. First Commonwealth evaluates impairment quarterly and has concluded that the par value of its investment in FHLB stock will be recovered. Accordingly, no impairment charge was recorded on these securities during the six months ended June 30, 2015.

Note 8 Loans and Allowance for Credit Losses

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Commercial, financial, agricultural and other	$1,098,019	$1,052,109
Real estate construction	125,010	120,785

Residential real estate	1,204,499	1,226,344
Commercial real estate	1,416,841	1,405,256
Loans to individuals	646,485	652,814
Total loans and leases net of unearned income	$4,490,854	$4,457,308

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Credit Quality Information

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

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

The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of credit risk. The Company's internal creditworthiness grading system provides a measurement of credit risk based primarily on an evaluation of the borrower's cash flow and collateral. Movement between these rating categories provides a predictive measure of credit losses and therefore assists in determining the appropriate level for the loan loss reserves. Category ratings are reviewed each quarter, at which time management analyzes the results, as well as other external statistics and factors related to loan performance. Loans that migrate towards higher risk rating levels generally have an increased risk of default, whereas loans that migrate toward lower risk ratings generally will result in a lower risk factor being applied to those related loan balances.

The following tables represent our credit risk profile by creditworthiness:

	June 30, 2015					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Pass	$1,034,313	$124,518	$1,192,296	$1,372,966	$646,255	$4,370,348
Non-Pass						
OAEM	7,902	458	2,228	29,994	—	40,582
Substandard	55,804	34	9,975	13,881	230	79,924
Doubtful	—	—	—	—	—	—
Total Non-Pass	63,706	492	12,203	43,875	230	120,506
Total	$1,098,019	$125,010	$1,204,499	$1,416,841	$646,485	$4,490,854

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	December 31, 2014					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Pass	$983,357	$112,536	$1,214,920	$1,353,773	$652,596	$4,317,182
Non-Pass						
OAEM	32,563	8,013	2,315	29,479	—	72,370
Substandard	32,028	236	9,109	22,004	218	63,595
Doubtful	4,161	—	—	—	—	4,161
Total Non-Pass	68,752	8,249	11,424	51,483	218	140,126
Total	$1,052,109	$120,785	$1,226,344	$1,405,256	$652,814	$4,457,308

Portfolio Risks

The credit quality of our loan portfolio can potentially represent significant risk to our earnings, capital, regulatory agency relationships, investment community reputation and shareholder returns. First Commonwealth devotes a substantial amount of resources managing this risk primarily through our credit administration department that develops and administers policies and procedures for underwriting, maintaining, monitoring and collecting activities. Credit administration is independent of lending departments and oversight is provided by the credit committee of the First Commonwealth Board of Directors.

Criticized loans have been evaluated when determining the appropriateness of the allowance for credit losses, which we believe is adequate to absorb losses inherent to the portfolio as of June 30, 2015. However, changes in economic conditions, interest rates, borrower financial condition, delinquency trends or previously established fair values of collateral factors could significantly change those judgmental estimates.

Age Analysis of Past Due Loans by Segment

The following tables delineate the aging analysis of the recorded investments in past due loans as of June 30, 2015 and December 31, 2014. Also included in these tables are loans that are 90 days or more past due and still accruing because they are well-secured and in the process of collection.

	June 30, 2015						
	30 - 59 days past due	60 - 89 days past due	90 days and greater and still accruing	Nonaccrual	Total past due and nonaccrual	Current	Total
	(dollars in thousands)						
Commercial, financial, agricultural and other	$636	$73	$33	$15,587	$16,329	$1,081,690	$1,098,019
Real estate construction	—	—	—	34	34	124,976	125,010
Residential real estate	3,013	677	686	8,199	12,575	1,191,924	1,204,499
Commercial real estate	137	739	—	6,345	7,221	1,409,620	1,416,841

Loans to individuals	2,707	625	873	230	4,435	642,050	646,485
Total	$6,493	$2,114	$1,592	$30,395	$40,594	$4,450,260	$4,490,854

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	December 31, 2014						
	30 - 59 days past due	60 - 89 days past due	90 days and greater and still accruing	Nonaccrual	Total past due and nonaccrual	Current	Total
	(dollars in thousands)						
Commercial, financial, agricultural and other	$2,816	$213	$264	$27,007	$30,300	$1,021,809	$1,052,109
Real estate construction	—	1	—	236	237	120,548	120,785
Residential real estate	5,162	1,295	1,077	7,900	15,434	1,210,910	1,226,344
Commercial real estate	1,797	122	—	7,306	9,225	1,396,031	1,405,256
Loans to individuals	3,698	1,059	1,278	218	6,253	646,561	652,814
Total	$13,473	$2,690	$2,619	$42,667	$61,449	$4,395,859	$4,457,308

Nonaccrual Loans

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

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

Impaired Loans

Management considers loans to be impaired when, based on current information and events, it is determined that the Company will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all loan categories. When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan’s effective interest rate, except when the sole source for repayment of the loan is the operation or liquidation of collateral. When the loan is collateral dependent, the appraised value less estimated cost to sell is utilized. If management determines the value of the impaired loan is less than the recorded investment in the loan, impairment is recognized through an allowance estimate or a charge-off to the allowance. Troubled debt restructured loans on accrual status are also considered to be impaired loans.

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

There were $2.4 million of impaired loans held for sale at June 30, 2015. These loans were transferred to held for sale status in the first quarter of 2015 and were sold in July 2015, at which time a gain of $0.4 million was recognized. There were no impaired loans held for sale at December 31, 2014. During the six months ended June 30, 2014, $3.1

million of impaired loans were sold, resulting in the recognition of a gain of $0.1 million. No gains were recognized on the sale of impaired loans during the six months ended June 30, 2015.
Significant nonaccrual loans as of June 30, 2015, include the following:

- $7.4 million relationship of commercial and real estate loans to a local water facility construction company. These loans were originated from 2009 to 2013 and were placed in nonaccrual status during the fourth quarter of 2014. During the six months ended June 30, 2015, charge-offs of $2.3 million related to this relationship were recorded. A valuation of the collateral was completed during the first quarter of 2015.
- $5.9 million relationship of commercial industrial loans to a local energy company. These loans were originated from 2008 to 2011 and were placed in nonaccrual status during the third quarter of 2013. Two of these loans were modified resulting

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in TDR classification: one loan totaling $2.3 million was modified in 2012, and the other loan totaling $3.0 million was modified in 2014. During the six months ended June 30, 2015, charge-offs of $3.3 million related to this relationship were recorded. A valuation of the collateral was updated during the first quarter of 2015.
The following tables include the recorded investment and unpaid principal balance for impaired loans with the associated allowance amount, if applicable, as of June 30, 2015 and December 31, 2014. Also presented are the average recorded investment in impaired loans and the related amount of interest recognized while the loan was considered impaired. Average balances are calculated using month-end balances of the loans for the period reported and are included in the table below based on their period-end allowance position.

	June 30, 2015			December 31, 2014		
	Recorded investment	Unpaid principal balance	Related allowance	Recorded investment	Unpaid principal balance	Related allowance
	(dollars in thousands)					
With no related allowance recorded:						
Commercial, financial, agricultural and other	$16,809	$24,267		$9,439	$10,937	
Real estate construction	34	120		236	476	
Residential real estate	11,277	12,861		10,773	12,470	
Commercial real estate	8,534	9,402		8,768	10,178	
Loans to individuals	302	360		288	337	
Subtotal	36,956	47,010		29,504	34,398	
With an allowance recorded:						
Commercial, financial, agricultural and other	5,195	5,555	1,596	24,826	25,583	9,304
Real estate construction	—	—	—	—	—	—
Residential real estate	328	500	35	367	380	56
Commercial real estate	192	192	44	554	554	101
Loans to individuals	—	—	—	—	—	—
Subtotal	5,715	6,247	1,675	25,747	26,517	9,461
Total	$42,671	$53,257	$1,675	$55,251	$60,915	$9,461

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	For the Six Months Ended June 30,			
	2015		2014	
	Average recorded investment	Interest Income Recognized	Average recorded investment	Interest Income Recognized
	(dollars in thousands)			
With no related allowance recorded:				
Commercial, financial, agricultural and other	$21,691	$120	$13,841	$32
Real estate construction	137	—	2,112	18
Residential real estate	11,025	86	10,602	124
Commercial real estate	8,760	43	8,494	55
Loans to individuals	312	2	290	2
Subtotal	41,925	251	35,339	231
With an allowance recorded:				
Commercial, financial, agricultural and other	5,337	72	14,333	76
Real estate construction	—	—	—	—
Residential real estate	319		1,738	15
Commercial real estate	194	3	670	2
Loans to individuals	—	—	—	—
Subtotal	5,850	75	16,741	93
Total	$47,775	$326	$52,080	$324

	For the Three Months Ended June 30,			
	2015		2014	
	Average recorded investment	Interest Income Recognized	Average recorded investment	Interest Income Recognized
	(dollars in thousands)			
With no related allowance recorded:				
Commercial, financial, agricultural and other	$18,526	$65	$12,658	$14
Real estate construction	36	—	1,148	6
Residential real estate	11,302	45	9,858	75
Commercial real estate	8,682	24	7,388	22
Loans to individuals	316	1	310	1
Subtotal	38,862	135	31,362	118
With an allowance recorded:				
Commercial, financial, agricultural and other	5,237	42	15,086	32
Real estate construction	—	—	—	—
Residential real estate	329	—	1,836	7
Commercial real estate	193	1	1,136	1
Loans to individuals	—	—	—	—
Subtotal	5,759	43	18,058	40
Total	$44,621	$178	$49,420	$158

Unfunded commitments related to nonperforming loans were $0.6 million at June 30, 2015 and $46 thousand at December 31, 2014. After consideration of available collateral related to these commitments, a reserve of $13 thousand and $14 thousand was established for these off balance sheet exposures at June 30, 2015 and December 31, 2014, respectively.

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

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

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Troubled debt restructured loans		
Accrual status	$12,276	$12,584
Nonaccrual status	8,619	16,952
Total	$20,895	$29,536
Commitments		
Unused lines of credit	$2,540	$4,120

At June 30, 2015, $2.4 million of nonaccrual loans considered to be troubled debt restructured loans are excluded from the above table as they are classified as loans held for sale.

The following tables provide detail, including specific reserves and reasons for modification, related to loans identified as troubled debt restructurings:

	For the Six Months Ended June 30, 2015						
		Type of Modification					
	Number of Contracts	Extend Maturity	Modify Rate	Modify Payments	Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
	(dollars in thousands)						
Commercial, financial, agricultural and other	3	$1,751	$—	$109	$ 1,860	$ 1,812	$53
Residential real estate	16	—	296	503	799	723	7
Commercial real estate	1	—	—	463	463	428	—
Loans to individuals	6	—	61	18	79	66	—
Total	26	$1,751	$357	$1,093	$ 3,201	$ 3,029	$60

	For the Six Months Ended June 30, 2014						
		Type of Modification					
	Number of Contracts	Extend Maturity	Modify Rate	Modify Payments	Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
	(dollars in thousands)						
Commercial, financial, agricultural and other	2	$1,480	$—	$—	$ 1,480	$ 1,463	$20
Residential real estate	21	—	291	644	935	895	48
Commercial real estate	1	—	—	12	12	7	—
Loans to individuals	10	—	73	27	100	85	—
Total	34	$1,480	$364	$683	$ 2,527	$ 2,450	$68

The troubled debt restructurings included in the above tables are also included in the impaired loan tables provided earlier in this note. Loans defined as modified due to a change in rate may include loans that were modified for a change in rate as well as a reamortization of the principal and an extension of the maturity. For the six months ended June 30, 2015 and 2014, $0.4 million and $0.3 million, respectively, of total rate modifications represent loans with modifications to the rate as well as payment as a result of reamortization. For both 2015 and 2014 the changes in loan balances between the pre-modification balance and the post-modification balance are due to customer payments.

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The following tables provide detail, including specific reserves and reasons for modification, related to loans identified as troubled debt restructurings:

	For the Three Months Ended June 30, 2015						
		Type of Modification					
	Number of Contracts	Extend Maturity	Modify Rate	Modify Payments	Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
	(dollars in thousands)						
Commercial, financial, agricultural and other	2	$252	$—	$109	$ 361	$ 317	$53
Residential real estate	11	$—	$45	$485	$ 530	$ 525	$7
Loans to individuals	5	—	61	—	61	56	—
Total	18	$252	$106	$594	$ 952	$ 898	$60

	For the Three Months Ended, June 30, 2014						
		Type of Modification					
	Number of Contracts	Extend Maturity	Modify Rate	Modify Payments	Total Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
	(dollars in thousands)						
Commercial, financial, agricultural and other	1	$1,420	$—	$—	$ 1,420	$ 1,433	$—
Residential real estate	8	—	120	126	246	243	2
Loans to individuals	4	—	42	7	49	42	—
Total	13	$1,420	$162	$133	$ 1,715	$ 1,718	$2

The troubled debt restructurings included in the above tables are also included in the impaired loan tables provided earlier in this note. Loans defined as modified due to a change in rate may include loans that were modified for a change in rate as well as a reamortization of the principal and an extension of the maturity. For the three months ended June 30, 2015 and 2014, $0.1 million and $0.1 million, respectively, of total rate modifications represent loans with modifications to the rate as well as payment as a result of reamortization. For both 2015 and 2014 the changes in loan balances between the pre-modification balance and the post-modification balance are due to customer payments.

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A troubled debt restructuring is considered to be in default when a restructured loan is 90 days or more past due. The following table provides information related to restructured loans that were considered to be in default during the six months ended June 30:

	2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(dollars in thousands)			
Residential real estate	2	$56	2	$51
Total	2	$56	2	$51

The following table provides information related to restructured loans that were considered to be in default during the three months ended June 30:

	2015		2014	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
	(dollars in thousands)			
Residential real estate	2	$56	1	$6
Total	2	$56	1	$6

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

	For the Six Months Ended June 30, 2015					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Allowance for credit losses:						
Beginning Balance	$29,627	$2,063	$3,664	$11,881	$4,816	$52,051
Charge-offs	(7,940)	—	(1,050)	(688)	(2,383)	(12,061)
Recoveries	358	84	239	153	323	1,157
Provision (credit)	1,710	(629)	70	881	2,165	4,197
Ending Balance	$23,755	$1,518	$2,923	$12,227	$4,921	$45,344
Ending balance: individually evaluated for impairment	$1,596	$—	$35	$44	$—	$1,675
Ending balance: collectively evaluated for impairment	22,159	1,518	2,888	12,183	4,921	43,669
Loans:						
Ending balance	1,098,019	125,010	1,204,499	1,416,841	646,485	4,490,854
Ending balance: individually evaluated for impairment	21,419	—	7,700	7,625	—	36,744
Ending balance: collectively evaluated for impairment	1,076,600	125,010	1,196,799	1,409,216	646,485	4,454,110

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	For the Six Months Ended June 30, 2014					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Allowance for credit losses:						
Beginning Balance	$22,663	$6,600	$7,727	$11,778	$5,457	$54,225
Charge-offs	(7,859)	(296)	(1,735)	(297)	(1,562)	(11,749)
Recoveries	421	337	323	255	365	1,701
Provision (credit)	6,731	(742)	(190)	(75)	824	6,548
Ending Balance	$21,956	$5,899	$6,125	$11,661	$5,084	$50,725
Ending balance: individually evaluated for impairment	$4,995	$—	$546	$531	$—	$6,072
Ending balance: collectively evaluated for impairment	16,961	5,899	5,579	11,130	5,084	44,653
Loans:						
Ending balance	1,062,001	100,709	1,238,791	1,306,752	625,961	4,334,214
Ending balance: individually evaluated for impairment	24,573	486	7,624	6,965	—	39,648
Ending balance: collectively evaluated for impairment	1,037,428	100,223	1,231,167	1,299,787	625,961	4,294,566

	For the Three Months Ended June 30, 2015					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Allowance for credit losses:						
Beginning Balance	$24,406	$1,528	$3,387	$12,487	$4,889	$46,697
Charge-offs	(2,860)	—	(484)	(486)	(1,122)	(4,952)
Recoveries	158	84	143	15	161	561
Provision (credit)	2,051	(94)	(123)	211	993	3,038
Ending Balance	$23,755	$1,518	$2,923	$12,227	$4,921	$45,344

	For the Three Months Ended, June 30, 2014					
	Commercial, financial, agricultural and other	Real estate construction	Residential real estate	Commercial real estate	Loans to individuals	Total
	(dollars in thousands)					
Allowance for credit losses:						
Beginning Balance	$26,125	$6,214	$6,026	$11,119	$5,022	$54,506
Charge-offs	(6,258)	(296)	(640)	(157)	(752)	(8,103)
Recoveries	336	168	79	235	187	1,005

Provision (credit)	1,753	(187)	660	464	627	3,317
Ending Balance	$21,956	$5,899	$6,125	$11,661	$5,084	$50,725

Note 9 Income Taxes

At June 30, 2015 and December 31, 2014, First Commonwealth had no material unrecognized tax benefits or accrued interest and penalties. If applicable, First Commonwealth will record interest and penalties as a component of noninterest expense. Federal and state tax years 2011 through 2013 were open for examination as of June 30, 2015.

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Note 10 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 Condensed Consolidated Statements of Financial Condition or in the "Other assets" category of the Condensed 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, corporate securities, FHLB stock, loans held for sale, interest rate derivatives (including interest rate caps, 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 100% of the securities on an annual basis and 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.

Other investments recorded in the Condensed Consolidated Statements of Financial Condition are comprised of FHLB stock whose estimated fair value is based on its par value. Additional information on FHLB stock is provided in Note 7, "Impairment of Investment Securities."

Loans held for sale include residential mortgage loans originated for sale in the secondary mortgage market as well as an impaired commercial loan for which sale was considered an appropriate exit strategy. The estimated fair value for the mortgage loans were determined on the basis of rates obtained in the respective secondary market and the estimated fair value of the commercial loan was determined by market bids obtained from potential buyers.

Interest rate derivatives are reported at an estimated fair value utilizing Level 2 inputs and are included in other assets and other liabilities, and consist of interest rate swaps where there is no significant deterioration in the counterparties' (loan customers') credit risk since origination of the interest rate swap as well as interest rate caps and risk participation agreements. First Commonwealth values its interest rate swap and cap positions using a yield curve by taking market prices/rates for an appropriate set of instruments. The set of instruments currently used to determine the U.S. Dollar yield curve includes cash LIBOR rates from overnight to 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 11, "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 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 2015, we have not realized any losses due to a counterparty's inability to pay any uncollateralized positions.

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

- 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 pooled trust preferred collateralized debt obligations, non-marketable equity investments, certain interest rate derivatives, certain other real estate owned and certain impaired loans.

Our pooled trust preferred collateralized debt obligations are collateralized by the trust preferred securities of individual banks, thrifts and bank holding companies in the United States. There has been little or no active trading in these securities since 2009; therefore, it is more appropriate to determine estimated fair value using a discounted cash flow analysis. Detail on our process for determining the appropriate cash flows for this analysis is provided in Note 7, "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.

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 confirming changes in the underlying collateral to the trustee 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.

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

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

	Fair Value (dollars in thousands)		Valuation Technique	Unobservable Inputs	Range / (weighted average)
Pooled Trust Preferred Securities	$35,521		Discounted Cash Flow	Probability of default	0% - 100% (16.47%)
				Prepayment rates	0% - 73.65% (5.10%)
				Discount rates	5.25% - 12.00% (a)
Equities	1,920		Par Value	N/A	N/A
Impaired Loans	3,215	(b)	Reserve study	Discount rate	10.00%
				Gas per MCF	$1.88 - $5.27 (c)
				Oil per BBL/d	$55.00 - $90.00 (c)
				NGL per barrel	$15.00 (c)
	520	(b)	Discounted Cash Flow	Discount Rate	1.90%
Other Real Estate Owned	18		Internal Valuation	N/A	N/A

(a) incorporates spread over risk free rate related primarily to credit quality and illiquidity of securities.
(b) the remainder of impaired loans valued using Level 3 inputs are not included in this disclosure as the values of those loans are based on bankruptcy agreement documentation.
(c) unobservable inputs are defined as follows: MCF - million cubic feet; BBL/d - barrels per day; NGL - natural gas liquid.

The significant unobservable inputs used in the fair value measurement of pooled trust preferred securities are the probability of default, discount rates and prepayment rates. Significant increases in the probability of default or discount rate used would result in a decrease in the estimated fair value of these securities, while decreases in these variables would result in higher fair value measurements. In general, a change in the assumption of probability of default is accompanied by a directionally similar change in the discount rate. In most cases, increases in the prepayment rate assumptions would result in a higher estimated fair value for these securities while decreases would provide for a lower value. The direction of this change is somewhat dependent on the structure of the investment and the amount of the investment tranches senior to our position.

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

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

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities - Residential	$—	$24,338	$—	$24,338
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities - Residential	—	862,900	—	862,900
Mortgage-Backed Securities - Commercial	—	59	—	59
Other Government-Sponsored Enterprises	—	135,629	—	135,629
Obligations of States and Political Subdivisions	—	27,065	—	27,065
Corporate Securities	—	2,293	—	2,293
Pooled Trust Preferred Collateralized Debt Obligations	—	—	35,521	35,521
Total Debt Securities	—	1,052,284	35,521	1,087,805
Equities	—	—	1,920	1,920
Total Securities Available for Sale	—	1,052,284	37,441	1,089,725
Other Investments	—	53,347	—	53,347
Loans held for sale	—	9,817	—	9,817
Other Assets(a)	—	10,563	—	10,563
Total Assets	$—	$1,126,011	$37,441	$1,163,452
Other Liabilities(a)	$—	$9,405	$—	$9,405
Total Liabilities	$—	$9,405	$—	$9,405

(a) Hedging and non-hedging interest rate derivatives

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(dollars in thousands)			
Obligations of U.S. Government Agencies:				
Mortgage-Backed Securities - Residential	$—	$25,936	$—	$25,936
Obligations of U.S. Government-Sponsored Enterprises:				
Mortgage-Backed Securities - Residential	—	950,881	—	950,881
Mortgage-Backed Securities - Commercial	—	74	—	74
Other Government-Sponsored Enterprises	—	267,877	—	267,877
Obligations of States and Political Subdivisions	—	27,377	—	27,377
Corporate Securities	—	7,255	—	7,255
Pooled Trust Preferred Collateralized Debt Obligations	—	—	28,999	28,999
Total Debt Securities	—	1,279,400	28,999	1,308,399
Equities	—	—	1,420	1,420
Total Securities Available for Sale	—	1,279,400	30,419	1,309,819
Other Investments	—	44,545	—	44,545
Loans Held for Sale	—	2,502	—	2,502
Other Assets(a)	—	11,186	—	11,186

Total Assets	$—	$1,337,633	$30,419	$1,368,052
Other Liabilities(a)	$—	$10,671	$—	$10,671
Total Liabilities	$—	$10,671	$—	$10,671

(a) Hedging and non-hedging interest rate derivatives

ITEM 1. Financial Statements and Supplementary Data
FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended June 30, changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	2015 Pooled Trust Preferred Collateralized Debt Obligations (dollars in thousands)	Equities	Total
Balance, beginning of period	$28,999	$1,420	$30,419
Total gains or losses			
Included in earnings	105	—	105
Included in other comprehensive income	7,471	—	7,471
Purchases, issuances, sales, and settlements			
Purchases	—	500	500
Issuances	—	—	—
Sales	—	—	—
Settlements	(1,054)	—	(1,054)
Transfers into Level 3	—	—	—
Balance, end of period	$35,521	$1,920	$37,441

	2014 Pooled Trust Preferred Collateralized Debt Obligations (dollars in thousands)	Equities	Loans Held for Sale	Total
Balance, beginning of period	$23,523	$1,420	$—	$24,943