

FIRST COMMONWEALTH FINANCIAL CORP /PA/  
Form 10-Q  
May 05, 2006

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 March 31, 2006

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 0-11242

First Commonwealth Financial Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of  
incorporation or organization)

25-1428528  
(I.R.S. Employer  
Identification No.)

22 North Sixth Street, Indiana, PA  
(Address of principal executive offices)

15701  
(Zip Code)

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

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

Indicate 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

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requirements for the past 90 days.

Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer  Accelerated filer   
Non-accelerated filer

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

The number of shares outstanding of issuer's common stock, \$1.00 Par Value as of April 30, 2006, was 70,592,913.

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (Unaudited)  
(Dollars in thousands)

	March 31, 2006	December 31, 2005
<b>ASSETS</b>		
Cash and due from banks	\$ 84,627	\$ 84,555
Interest-bearing bank deposits	391	473
Federal funds sold	-0-	1,575
Securities available for sale, at market	1,737,899	1,851,986
Securities held to maturity, at amortized cost, (Market value \$86,986 in 2006 and \$89,804 in 2005)	85,673	87,757
Loans held for sale	553	1,276
<b>Loans:</b>		
Portfolio loans	3,651,632	3,623,102
Unearned income	(98)	(119)
Allowance for credit losses	(38,017)	(39,492)
<b>Net loans</b>	<b>3,613,517</b>	<b>3,583,491</b>
Premises and equipment	61,230	60,860
Other real estate owned	1,499	1,655
Goodwill	122,702	122,702
Amortizing intangibles, net	14,686	15,251
Other assets	221,733	214,739
<b>Total assets</b>	<b>\$ 5,944,510</b>	<b>\$ 6,026,320</b>
<b>LIABILITIES</b>		

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<b>Deposits (all domestic):</b>		
Noninterest-bearing	\$ 499,161	\$ 491,644
Interest-bearing	3,496,577	3,504,908
	<hr/>	<hr/>
Total deposits	3,995,738	3,996,552
Short-term borrowings	601,426	665,665
Other liabilities	37,952	43,314
Subordinated debentures	108,250	108,250
Other long-term debt	685,395	691,494
	<hr/>	<hr/>
Total long-term debt	793,645	799,744
	<hr/>	<hr/>
Total liabilities	5,428,761	5,505,275

**SHAREHOLDERS' EQUITY**

Preferred stock, \$1 par value per share, 3,000,000 shares authorized, none issued	-0-	-0-
Common stock \$1 par value per share, 100,000,000 shares authorized; 71,978,568 shares issued at March 31, 2006 and December 31, 2005; 70,500,069 and 70,377,916 shares outstanding at March 31, 2006 and December 31, 2005, respectively	71,978	71,978
Additional paid-in capital	173,369	173,967
Retained earnings	319,523	318,569
Accumulated other comprehensive loss	(17,349)	(9,655)
Treasury stock (1,478,499 shares at March 31, 2006 and 1,600,652 shares at December 31, 2005, at cost)	(18,672)	(20,214)
Unearned ESOP shares	(13,100)	(13,600)
	<hr/>	<hr/>
Total shareholders' equity	515,749	521,045
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 5,944,510	\$ 6,026,320

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(Dollars in thousands, except per share data)

	For the Quarter Ended March 31,	
	2006	2005
	<hr/>	<hr/>
<b>Interest Income</b>		
Interest and fees on loans	\$ 58,314	\$ 52,591
Interest and dividends on investments:		
Taxable interest	17,585	19,273
	3,219	3,053

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Interest exempt from Federal income taxes		
Dividends	603	709
Interest on Federal funds sold	46	4
Interest on bank deposits	14	7
	<hr/>	<hr/>
Total interest income	79,781	75,637
<b>Interest Expense</b>		
Interest on deposits	23,384	16,502
Interest on short-term borrowings	6,364	5,558
	<hr/>	<hr/>
Interest on subordinated debentures	2,054	1,902
Interest on other long-term debt	6,532	6,743
	<hr/>	<hr/>
Total interest on long-term debt	8,586	8,645
	<hr/>	<hr/>
Total interest expense	38,334	30,705
	<hr/>	<hr/>
<b>Net Interest Income</b>	41,447	44,932
Provision for credit losses	908	1,744
	<hr/>	<hr/>
<b>Net interest income after provision for credit losses</b>	40,539	43,188
	<hr/>	<hr/>
<b>Other Income</b>		
Net securities gains	63	485
Trust income	1,394	1,325
Service charges on deposit accounts	3,869	3,540
Insurance commissions	719	840
Income from bank owned life insurance	1,375	1,321
Merchant discount income	-0-	839
Card related interchange income	1,298	1,087
Other income	1,578	2,003
	<hr/>	<hr/>
Total other income	10,296	11,440
	<hr/>	<hr/>
<b>Other Expenses</b>		
Salaries and employee benefits	19,357	18,298
Net occupancy expense	3,402	2,992
Furniture and equipment expense	2,767	2,870
Data processing expense	795	939
Pennsylvania shares tax expense	1,350	1,266
Intangible amortization	565	565
Other operating expenses	7,357	8,463
	<hr/>	<hr/>
Total other expenses	35,593	35,393
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<b>Income before income taxes</b>	15,242	19,235
Applicable income taxes	2,304	4,016
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<b>Net income</b>	\$	12,938	\$	15,219
Average Shares Outstanding		69,469,709		69,346,722
Average Shares Outstanding Assuming Dilution		69,918,151		70,024,400
<b>Per Share Data:</b>				
Basic earnings per share	\$	0.19	\$	0.22
Diluted earnings per share	\$	0.19	\$	0.22
Cash dividends per share	\$	0.170	\$	0.165

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited)  
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance December 31, 2004	\$71,978	\$175,453	\$307,363	\$ 10,002	\$ (26,643)	\$ (6,175)	\$ 531,978
Comprehensive income:							
Net income	-0-	-0-	15,219	-0-	-0-	-0-	15,219
Other comprehensive loss, net of tax:							
Unrealized holding losses on securities arising during the period	-0-	-0-	-0-	(17,961)	-0-	-0-	(17,961)
Less: reclassification adjustment for gains on securities included in net income	-0-	-0-	-0-	(305)	-0-	-0-	(305)
Unrealized holding losses on derivatives used in cash flow hedging relationship arising during the period	-0-	-0-	-0-	(637)	-0-	-0-	(637)
	-0-	-0-	-0-	(18,903)	-0-	-0-	(18,903)

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Total other comprehensive  
loss

Total comprehensive loss	0-	-0-	15,219	(18,903)	-0-	-0-	(3,684)
Cash dividends declared	-0-	-0-	(11,535)	-0-	-0-	-0-	(11,535)
Net increase in unearned ESOP shares	-0-	-0-	-0-	-0-	-0-	(3,786)	(3,786)
Discount on dividend reinvestment plan purchases	-0-	(221)	-0-	-0-	-0-	-0-	(221)
Treasury stock reissued	-0-	(130)	-0-	-0-	550	-0-	420
Tax benefit of stock options	-0-	(35)	-0-	-0-	-0-	-0-	(35)
Balance at March 31, 2005	\$71,978	\$175,067	\$311,047	\$ (8,901)	\$ (26,093)	\$ (9,961)	\$ 513,137

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

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FIRST COMMONWEALTH FINANCIAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited)  
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance December 31, 2005	\$71,978	\$173,967	\$318,569	\$ (9,655)	\$ (20,214)	\$ (13,600)	\$ 521,045

Comprehensive income:

Net income	-0-	-0-	12,938	-0-	-0-	-0-	12,938
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Other comprehensive loss,  
net of tax:

Unrealized holding losses on securities arising during the period	-0-	-0-	-0-	(7,859)	-0-	-0-	(7,859)
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Less: reclassification adjustment for gains on securities included in net income	-0-	-0-	-0-	(41)	-0-	-0-	(41)
Reclassification adjustment for losses realized in net income as a result of the discontinuance of cash flow hedges	-0-	-0-	-0-	206	-0-	-0-	206
Total other comprehensive loss	-0-	-0-	-0-	(7,694)	-0-	-0-	(7,694)
Total comprehensive income (loss)	0-	-0-	12,938	(7,694)	-0-	-0-	5,244