

# BYBEL RUTLEDGE LLP

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## MEMORANDUM

**TO:** PUBLIC COMPANY CLIENTS AND FRIENDS

**FROM:** Bybel Rutledge LLP

**DATE:** July 15, 2009

**RE:** SEC Comment Letters and OTTI

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Following our July 1, 2009 Legal Alert entitled "Enhancing Disclosures Contained in Quarterly and Annual Reports," a number of public financial institutions received SEC comment letters addressing specific portions of their Forms 10-K and 10-Q. More specifically, the SEC appears to be focusing their comments on other-than-temporary impairments ("OTTI") to investment securities disclosures. The SEC is seeking more in depth disclosure regarding the analysis companies take in determining what qualifies as OTTI and what does not. Further, if OTTI affects pooled trust preferred securities, the SEC is seeking greater detail regarding these investments.

Below are excerpts from a few comment letters addressing the most common issues raised by the SEC including OTTI:

- We note that you have significant losses in "other securities" as of December 31, 2008. Please tell us and revise future filings to disclose the amounts and components of the securities included in the "other securities" portfolio.
- For investments in any potential pooled trust preferred securities that were not considered impaired as of December 31, 2008 and March 31, 2009, please provide us a detailed discussion of these securities' impairment analysis as of December 31, 2008 and March 31, 2009. This discussion should identify all available evidence, explain the relative significance of each piece of evidence, and identify the primary evidence on which you rely to support a realizable value equal to or greater than the carrying value of the investment.

- Please revise your future filings to disclose the facts and circumstances and the evidence on which you relied to conclude that you were required to record an other than temporary impairment charge. Please contrast your analysis of these securities with those for which you did not recognize any impairment charge.
- Please provide us and consider disclosing in future filings a table detailing the following information for your trust preferred securities: deal name, single-issue or pooled, class, book value, fair value, unrealized gain/loss, credit ratings, number of banks in issuance, deferrals and defaults as a percentage of collateral, and excess subordination after taking into account your best estimates of future interest deferrals and defaults.
- Please tell us and revise in future filings to disclose the balance of your investment in the FHLB stock as of December 31, 2008 and March 31, 2009 and discuss how you considered any positive and negative factors in deciding the stock was not other than temporarily impaired. Please discuss how you considered the fact that the FHLB suspended the payment of dividends until they believe it is prudent to restore them. You may refer to the guidance of paragraphs 12.21 to 12.25 of the AICPA Audit Guide for Depository and Lending Institutions and paragraph 8(i) of SOP 01-06.

While preparing your upcoming 2<sup>nd</sup> quarter Form 10-Q, you should consider addressing some, if not all, of the bullets above. Each company will have a unique response to the comments, but we have attached an example of disclosures from another bank holding company to illustrate how they might be approached in your Form 10-Q.

OTTI is an issue for large and small public companies alike. Even those companies with relatively minor OTTI are being asked to explain and analyze their conclusions regarding OTTI. If you have any questions regarding the issues about or would like to discuss your disclosures, please contact any of the following attorneys at 717-731-1700 or via Email:

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March 31, 2009

## Note 5 Commitments and Letters of Credit (Continued)

The current notional amounts outstanding above include financial standby letters of credit of \$2.0 million, performance standby letters of credit of \$223 thousand, and commercial letters of credit of \$9 thousand issued during the first three months of 2009. A liability of \$383 thousand has been recorded which represents the fair value of letters of credit issued in 2008 and 2009.

## Note 6 Investment Securities

Below is an analysis of the amortized cost and fair values of securities available for sale at March 31 (dollars in thousands):

	2009			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Obligations of U.S. Government Agencies:				
Mortgage Backed Securities – Residential	\$ 52,359	\$ 2,389	\$ -0-	\$ 54,748
Obligations of U.S. Government – Sponsored Enterprises:				
Mortgage Backed Securities – Residential	842,074	30,013	(12)	872,075
Other Government – Sponsored Enterprises	75,000	1,227	-0-	76,227
Obligations of States and Political Subdivisions	206,613	2,860	(3,652)	205,821
Corporate Securities	23,959	-0-	(9,750)	14,209
Pooled Trust Preferred Collateralized Debt Obligations	95,038	-0-	(58,359)	36,679
Total Debt Securities	1,295,043	36,489	(71,773)	1,259,759
Equities	12,421	103	(358)	12,166
Total Securities Available for Sale	<u>\$1,307,464</u>	<u>\$ 36,592</u>	<u>\$(72,131)</u>	<u>\$1,271,925</u>

The amortized cost and estimated fair value of debt securities available for sale at March 31, 2009, 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	Fair Value
	(dollars in thousands)	
Due within 1 year	\$ 310	\$ 311
Due after 1 but within 5 years	84,709	86,312
Due after 5 but within 10 years	41,911	43,399
Due after 10 years	273,680	202,914
	400,610	332,936
Mortgage Backed Securities – Residential (a)	894,433	926,823
Total Debt Securities	<u>\$1,295,043</u>	<u>\$1,259,759</u>

- (a) Mortgage Backed Securities – Residential include an amortized cost of \$52 million and a fair value of \$55 million for Obligations of U.S. Government agencies issued by the Government National Mortgage Association. Obligations of U.S. Government-sponsored enterprises includes obligations issued by Federal National Mortgage Association and Federal Home Loan Mortgage Corporation which had an amortized cost of \$842 million and a fair value of \$872 million.

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#### Note 6 Investment Securities (Continued)

For the three months ended March 31, 2009, net securities gains included \$24 thousand in gains and no losses.

Below is an analysis of the amortized cost and fair values of debt securities held to maturity at March 31 (dollars in thousands):

	2009			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Obligations of U.S. Government Agencies:				
Mortgage Backed Securities – Residential	\$ 33	\$ 2	\$ -0-	\$ 35
Obligations of U.S. Government – Sponsored Enterprises:				
Mortgage Backed Securities – Residential	137	8	-0-	145
Obligations of States and Political Subdivisions	46,263	913	(406)	46,770
Total Securities Held to Maturity	<u>\$ 46,433</u>	<u>\$ 923</u>	<u>\$ (406)</u>	<u>\$46,950</u>

The amortized cost and estimated fair value of debt securities held to maturity at March 31, 2009, 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	Fair Value
	(dollars in thousands)	
Due within 1 year	\$ 1,107	\$ 1,121
Due after 1 but within 5 years	11,678	12,142
Due after 5 but within 10 years	7,387	7,639
Due after 10 years	26,091	25,868
	46,263	46,770
Mortgage Backed Securities – Residential (a)	170	180
Total Debt Securities	<u>\$ 46,433</u>	<u>\$46,950</u>

- (a) Mortgage Backed Securities – Residential include an amortized cost of \$33 thousand and a fair value of \$35 thousand for Obligations of U.S. Government Agencies issued by the Government National Mortgage Association. Obligations of U.S. Government-sponsored enterprises includes obligations issued by Federal National Mortgage Association and Federal Home Loan Mortgage Corporation which had an amortized cost of \$137 thousand and a fair value of \$145 thousand.

For the three months ended March 31, 2009, there were no realized gains or losses on securities held to maturity.

#### Note 7 Impairment of Investment Securities

During the first quarter of 2009, First Commonwealth early adopted FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairment” which requires that credit related other-than-temporary impairment on debt securities be recognized in earnings while noncredit related other-than-

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temporary impairment on debt securities not expected to be sold be recognized in other comprehensive income ("OCI"). As a result, in the first quarter of 2009 we recorded \$9.9 million in other-than-temporary impairment charges. These charges include \$8.4 million in credit related other-than-temporary impairment on four trust preferred collateralized debt obligations and \$1.5 million recorded on equity securities related to four Pennsylvania-based financial institutions. All of the securities for which other-than-temporary impairment was recorded were classified as available for sale securities. Additionally, \$18.7 million in noncredit related other-than-temporary impairment was recorded in OCI on the four trust preferred collateralized debt obligations.

The following table shows the effect of adopting FSP FAS 115-2 and FAS 124-2 on the financial statements as of March 31, 2009 (dollars in thousands, except share data):

	Prior to Adoption	After Adoption	Effect of Adoption
Impairment losses on securities	\$ (28,589)	\$ (9,866)	\$ 18,723
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	\$ -0-	\$ 18,723	\$ 18,723
Net impairment losses	\$ (28,589)	\$ (9,866)	\$ 18,723
Net income	\$ (10,483)	\$ 1,687	\$ 12,170
Basic Earnings Per Share	\$ (0.12)	\$ 0.02	\$ 0.14
Diluted Earnings Per Share	\$ (0.12)	\$ 0.02	\$ 0.14
Accumulated other comprehensive loss	\$ (10,593)	\$ (22,763)	\$ (12,170)

In accordance with the new guidance, the noncredit related portion of other-than-temporary impairment losses recognized in prior year earnings was reclassified as a cumulative effect adjustment that increased retained earnings and decreased accumulated OCI at the beginning of the year. In 2008, \$13.0 million in other-than-temporary impairment charges were recognized, of which \$6.5 million related to noncredit related impairment on debt securities. Therefore, the cumulative effect adjustment to retained earnings totaled \$6.5 million, or \$4.2 million net of tax.

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 the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in the market. We evaluate our intent and ability to hold debt securities based upon our investment strategy for the particular type of security and our cash flow needs, liquidity position, capital adequacy and interest rate risk position. In addition, the risk of future other-than-temporary impairment may be influenced by additional bank failures, prolonged recession in the U.S. economy, changes in real estate values, interest deferrals, and whether the federal government provides assistance to financial institutions. Our pooled trust preferred collateralized debt obligations are beneficial interests in securitized financial assets within the scope of EITF 99-20, and are therefore evaluated for other-than-temporary impairment using management's best estimate of future cash flows. If these estimated cash flows determine that it is probable an adverse change in

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cash flows has occurred, then other-than-temporary impairment would be recognized in accordance with FSP FAS 115-2 and FAS 124-2. There is a risk that this quarterly review could result in First Commonwealth recording other-than-temporary impairment charges in the future. See Note 9 "Fair Values of Assets and Liabilities" for additional information.

The following table presents the gross unrealized losses and fair values at March 31, 2009 for both available for sale and held to maturity securities by investment category and time frame for which the loss has been outstanding (dollars in thousands):

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. Government – Sponsored Enterprises:						
Mortgage Backed Securities – Residential	\$ 855	\$ (12)	\$ 8	\$ -0-	\$ 863	\$ (12)
Corporate Securities	7,157	(3,970)	7,052	(5,780)	14,209	(9,750)
Pooled Trust Preferred Collateralized Debt Obligations	12,176	(8,223)	24,503	(50,136)	36,679	(58,359)
Obligations of States and Political Subdivisions	101,254	(2,763)	18,548	(1,295)	119,802	(4,058)
Total Debt Securities	121,442	(14,968)	50,111	(57,211)	171,553	(72,179)
Equities	2,694	(358)	-0-	-0-	2,694	(358)
Total Securities	<u>\$ 124,136</u>	<u>\$ (15,326)</u>	<u>\$ 50,111</u>	<u>\$ (57,211)</u>	<u>\$ 174,247</u>	<u>\$ (72,537)</u>

At March 31 2009, 5.6% of the total unrealized losses were comprised of fixed income securities issued by U.S. Government agencies, U.S. Government-sponsored enterprises and investment grade municipalities. Corporate fixed income comprised 13.4% of the total unrealized losses, while pooled trust preferred collateralized debt obligations accounted for 80.5% and equity securities accounted for the remaining 0.5%. The unrealized losses in the equity securities category consist of two issues, neither of which has been in a continuous unrealized loss position for more than twelve months.

Corporate securities had a total unrealized loss of \$9.8 million as of March 31, 2009. Included in this category are single issue trust preferred securities and corporate debentures issued primarily by money center and large regional banks. As of March 31, 2009, our single issue trust preferred securities had an amortized cost of \$22.8 million and an estimated fair value of \$13.1 million, while our corporate debentures had a book value of \$1.2 million and an estimated fair value of \$1.1 million. After a review of each of the issuer's asset quality, earnings trend and capital position it was determined that none of these issues were other-than-temporarily impaired. Additionally, all interest payments on these securities are being made as contractually required.

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#### Note 7 Impairment of Investment Securities (Continued)

The following table provides additional information related to our corporate securities:

#### Corporate Securities (Single Issue Trust Preferred Securities and Corporate Debentures) (dollars in thousands)

Name of Issuer	Name of Issuer's Parent Company	Book Value	Fair Value	Unrealized	Current Moody's/ Fitch Issuer Ratings
				Loss	
BP Bank America Inst	Bank of America Corp	\$ 1,029	\$ 410	\$ (619)	Baa3/BB
BP MBNA Capital	Bank of America Corp	1,032	411	(621)	Baa3/BB
NB Capital Trust II	Bank of America Corp	3,085	1,233	(1,852)	Baa3/BB
North Fork Cap Trust	Capital One Financial Corp	1,267	564	(703)	Baa1/BBB+
Reliance Cap Trust	Capital One Financial Corp	488	218	(270)	NA/NA
FCB/SC Cap Trust	First Citizens Bancorporation	493	150	(343)	NA/NA
Fifth Third Cap	Fifth Third Bancorp	250	115	(135)	NA/NA
Signal Capital Trust I	FirstMerit Corp	1,298	500	(798)	NA/NA
PBI Capital Trust	Fulton Financial Corp	247	88	(159)	NA/NA
KeyCorp Capital II	KeyCorp	1,847	1,405	(442)	A3/A-
Union State Capital Trust I	KeyCorp	1,038	450	(588)	NA/NA
BSB Cap Trust	M&T Bank Corp	463	236	(227)	NA/NA
First Empire Cap MTB	M&T Bank Corp	4,899	3,690	(1,209)	A3/BBB+
PNC Capital Trust	PNC Financial Services Group	452	359	(93)	A2/NA
Valley Cap Trust	Rabobank Group	250	232	(18)	NA/NA
Centura Cap Trust	Royal Bank of Canada	1,139	892	(247)	A2/A+
Susquehanna Cap	Susquehanna Bancshares	500	440	(60)	Baa2/NA
First Union Instit Cap I	Wells Fargo Co.	3,000	1,733	(1,267)	A3/AA-
Total Single Issue Trust Preferred Securities		22,777	13,126	(9,651)	
Fulton Financial Corp	Fulton Financial Corp	442	363	(79)	A3/BBB+
Provident Bk MD	Provident Bankshares Corp	244	233	(11)	NA/BBB-
PNC Bank NA	PNC Financial Services Group	496	487	(9)	A1/A
Total Corporate Debentures		1,182	1,083	(99)	
Total Corporate Securities		\$23,959	\$14,209	\$ (9,750)	

As of March 31, 2009, the book value of our pooled trust preferred collateralized debt obligations totaled \$95.0 million with an estimated fair value of \$36.7 million, which includes securities issued by 376 banks and other financial institutions. Two of our pooled securities are senior tranches and the remainder are mezzanine tranches. During the first quarter of 2009, all of the pooled issues were downgraded by Moody's Investor Services. Two of the pooled issues, representing \$12.5 million of the \$95.0 million book value, remain above investment grade. At the time of initial issue, the subordinated tranches ranged in size from approximately 7.3% to 35.4% of the total principal amount of the respective securities and no more than 5% of any pooled security consisted of a security issued by any one institution. As of March 31, 2009, after taking into account management's best estimates of

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future interest deferrals and defaults, the excess subordination in our tranches ranged from 0.0% to 116.27% of the current performing collateral. The following table provides additional information related to our pooled trust preferred securities:

#### Pooled Trust Preferred Collateralized Debt Obligations (dollars in thousands)

Deal	Class	Book Value	Fair Value	Unrealized Loss	Moody's/ Fitch Ratings	Current Number of Banks	Actual Deferrals and Defaults as a % of Current Collateral	Excess Subordination as a % of Current Performing Collateral
Pre TSL I	Senior	\$ 3,706	\$ 3,009	\$ (697)	A1/A	32	15.86%	116.27%
Pre TSL IV	Mezzanine	1,830	730	(1,100)	Ca/B	6	18.05%	51.03%
Pre TSL V	Mezzanine	620	242	(378)	Ba3/A	4	0.00%	73.54%
Pre TSL VI	Mezzanine	369	175	(194)	Caa1/CCC	5	61.35%	0.00%
Pre TSL VII	Mezzanine	7,856	2,465	(5,391)	Ca/CC	20	46.89%	0.00%
Pre TSL VIII	Mezzanine	3,723	1,237	(2,486)	Ca/CC	36	28.01%	0.00%
Pre TSL IX	Mezzanine	3,000	932	(2,068)	Ca/CC	49	12.85%	11.19%
Pre TSL X	Mezzanine	4,000	1,218	(2,782)	Ca/CC	58	17.92%	4.28%
Pre TSL XII	Mezzanine	10,000	3,133	(6,867)	Ca/CC	79	9.06%	12.43%
Pre TSL XIII	Mezzanine	17,500	5,357	(12,143)	Ca/CC	65	12.11%	12.36%
Pre TSL XIV	Mezzanine	16,023	5,112	(10,911)	Ca/CC	64	9.01%	19.67%
MMCap I	Senior	8,838	6,703	(2,135)	A3/A	29	9.15%	96.39%
MMCap I	Mezzanine	1,063	508	(555)	Ca/CCC	29	9.15%	12.05%
MM Comm IX	Mezzanine	16,510	5,858	(10,652)	Caa3/CC	34	16.65%	0.00%
Total		<u>\$95,038</u>	<u>\$36,679</u>	<u>\$(58,359)</u>				

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

On a quarterly basis we evaluate our debt securities for other-than-temporary impairment. In the first quarter of 2009, \$8.4 million in other-than-temporary impairment charges were recognized on our pooled trust preferred collateralized debt obligations. When evaluating these investments we determine a credit related portion and a noncredit related portion of other-than-temporary impairment. The credit related portion is recognized in earnings and represents the expected shortfall in future cash flows. The noncredit related portion is recognized in other comprehensive income 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 this analysis follows:

Our pooled trust preferred collateralized debt obligations are measured for other-than-temporary impairment within the scope of EITF 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to be Held by a Transferor in Securitized Financial Assets,"



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#### Note 7 Impairment of Investment Securities (Continued)

and FSP EITF 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20," 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 March 31, 2009. 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. INTEX is a proprietary cash flow model recognized as the industry standard for analyzing all types of collateralized debt obligations. It includes each deal's structural features updated with trustee information, including asset-by-asset detail, as it becomes available. The modeled cash flows are then used to determine 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 376 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. Banks currently in default or deferring interest payments are assigned a 100% probability of default. All other banks in the pool are assigned a probability of default based on their unique credit characteristics and market indicators. In all cases, a 10% projected recovery rate is applied to projected defaults. The probability of default is updated quarterly. As of March 31, 2009, default probabilities for performing collateral ranged from 0.35% to 90%.

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

In addition to the above factors, our evaluation of impairment also includes a stress test analysis which provides an estimate of excess subordination for each tranche. We stress the cash flows of each pool by increasing current default assumptions to the level of defaults which results in an adverse change in estimated cash flows. This stressed breakpoint is then used to calculate excess subordination levels for each pooled trust preferred security.

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### Note 7 Impairment of Investment Securities (Continued)

The results of the stress test allows management to identify those pools that are at a greater risk for a future break in cash flows so that we can monitor banks in those pools more closely for potential deterioration of credit quality.

Based upon the analysis performed by management as of March 31, 2009, it is probable that we will collect all contractual principal and interest payments on all of our pooled trust preferred securities, except for Pre TSL VI, Pre TSL VII, Pre TSL VIII and MM Comm IX. The expected principal shortfall on these four securities resulted in an \$8.4 million credit related other-than-temporary impairment charge in the first quarter of 2009.

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

Balance, January 1, 2009 (a)	\$ 2,516
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	5,766
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	2,639
Balance, March 31, 2009	<u>\$10,921</u>

- (a) The beginning balance represents credit related losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

Additionally in the first quarter of 2009, other-than-temporary impairment charges of \$1.5 million were recorded on equity securities related to four Pennsylvania-based financial institutions. Management evaluates equity securities for other-than-temporary impairment by reviewing research reports, analysts' recommendations, credit rating changes, news stories, annual reports, regulatory filings, impact of interest rate changes, and other relevant information. Based on the results of this review and factoring in the level of decline in the fair value of these equity securities, management could not substantiate that their market value would equal or exceed our cost basis within a reasonable period of time.

### Note 8 Income Taxes

At January 1, 2009 and March 31, 2009, 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 non-interest expense. Federal and state tax years 2005 through 2008 were open for examination as of March 31, 2009.

### Note 9 Fair Values of Assets and Liabilities

Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" and Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements" became effective January 1, 2008. SFAS 159 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 elected not to measure any existing financial instruments at fair value under SFAS 159, however, in the future we may elect to adopt SFAS 159 for select financial instruments.