

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*(Dollar Amounts in Thousands)***NOTE 20—Retirement Plans (continued)****Postretirement Benefits other than Pensions for Acquired Subsidiary**

Employees of Southwest were also covered by a post retirement benefit plan.

Net periodic benefit cost of this plan was as follows:

	2002	2001	2000
Service cost	\$ -0-	\$ 6	\$ 7
Interest cost on projected benefit obligation	273	232	190
Amortization of transition obligation	2	2	2
Loss amortization	60	65	-0-
Net periodic benefit cost	<u>\$ 335</u>	<u>\$ 305</u>	<u>\$ 199</u>

The following table sets forth the plan's funded status and the amounts recognized on the Corporation Consolidated Balance Sheet as of December 31:

	2002	2001
Accumulated post retirement benefit obligation:		
Retirees	\$ 5,142	\$ 3,941
Actives	-0-	210
Total accumulated postretirement benefit obligation	<u>5,142</u>	<u>4,151</u>
Plan assets at fair value	<u>-0-</u>	<u>-0-</u>
Accumulated postretirement benefit obligation in excess of plan assets	5,142	4,151
Unrecognized transition obligation	(16)	(18)
Unrecognized net loss	(2,165)	(1,262)
Accrued benefit liability recognized on the balance sheet	<u>\$ 2,961</u>	<u>\$ 2,871</u>

The following table sets forth the change in benefit obligation:

	2002	2001
Benefit obligation at beginning of year	\$ 4,151	\$ 3,590
Service cost	-0-	6
Interest cost	273	232
Benefit payments	(245)	(276)
Actuarial loss	963	599
Benefit obligation at end of year	<u>\$ 5,142</u>	<u>\$ 4,151</u>

The discount rate used in determining the actuarial present value of the accumulated postretirement benefit obligation was 6.75% for 2002 and 2001. The health care cost trend rates used for 2002 were projected at an initial rate of 9.00% decreasing over time to an annual rate of 4.25% for indemnity plan participants and for non-indemnity plan participants. For 2001, rates used were projected at an initial rate of 6.75% decreasing over time to an annual rate of 4.25% for indemnity plan participants and an initial rate of 6.00% decreasing over time to an annual rate of 4.00% for non-indemnity plan participants.

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	\$ 20	\$ (19)
Effect on postretirement benefit obligation	\$ 301	\$ (275)

NOTE 21—Unearned ESOP Shares

The Corporation had borrowed amounts which were concurrently loaned to the First Commonwealth Financial Corporation Employee Stock Ownership Plan Trust ("ESOP") on the same terms. The combined balances of the ESOP related loans were \$3,055 at December 31, 2002, and \$4,126 at December 31, 2001.

The loans have been recorded as long-term debt on the Corporation's Consolidated Balance Sheets. A like amount of unearned ESOP shares was recorded as a reduction of common shareholders' equity. Unearned ESOP shares, included as a component of shareholders' equity, represent the Corporation's prepayment of future compensation expense. The shares acquired by the ESOP are held in a suspense account and will be released to the ESOP for allocation to the plan participants as the loan is reduced. Repayment of the loans is scheduled to occur over a five year period from contributions to the ESOP by the Corporation and dividends on unallocated ESOP shares.

The following is an analysis of ESOP shares held in suspense:

(See Note 1 for the definition of "old shares" and "new shares")

	Total	Old Shares	New Shares
Shares in suspense			
December 31, 2000	493,521	120,830	372,691
Shares allocated during 2001	(120,961)	(29,616)	(91,345)
Shares in suspense			
December 31, 2001	372,560	91,214	281,346
Shares allocated during 2002	(100,894)	(24,702)	(76,192)
Shares in suspense			
December 31, 2002	<u>271,666</u>	<u>66,512</u>	<u>205,154</u>

The fair market value of the new shares remaining in suspense was approximately \$2,359 and \$3,241 at December 31, 2002 and 2001, respectively.

Interest on ESOP loans was \$109 in 2002, \$263 in 2001, and \$446 in 2000. During 2002, 2001, and 2000, dividends on unallocated shares in the amount of \$242, \$301, and \$354, respectively, were used for debt service while all dividends on allocated shares were allocated or paid to the participants.