

FIRST COMMONWEALTH FINANCIAL CORP /PA/
Form S-4/A
July 17, 2006
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As filed with the Securities and Exchange Commission on July 17, 2006

Registration No. 333-135214

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT No. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

First Commonwealth Financial Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

6021
(Primary Standard Industrial
Classification Code Number)

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

Old Courthouse Square

22 North Sixth Street

Indiana, PA 15701

(724) 349-7220

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John J. Dolan

Chief Financial Officer

22 North Sixth Street

Indiana, Pennsylvania 15701

(724) 349-7220

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Andrew L. Blair, Jr., Esq.

Matthew C. Tomb, Esq.

Sherman & Howard L.L.C.

633 Seventeenth Street, Suite 3000

Denver, Colorado 80202

(303) 297-2900

Philip Ross Bevan, Esq.

Elias Matz Tiernan & Herrick L.L.P.

734 15th Street, N.W., 12th Floor

Washington, D.C. 20005

(202) 347-0300

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement and upon the consummation of the transaction described in the Prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the Securities Act), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This joint proxy statement/prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or the sale is not permitted.

Subject to completion, dated July 17, 2006

2724 Harts Run Road

Allison Park, Pennsylvania 15101

Merger Proposal Your Vote is Very Important

Dear Fellow Shareholder:

The board of directors of Laurel Capital Group, Inc. has called a special meeting of the shareholders to approve and adopt a merger agreement providing for the merger of Laurel Capital with First Commonwealth Financial Corporation. If the merger agreement is approved and the merger is subsequently completed, each outstanding share of Laurel Capital stock will be converted into the right to receive \$28.25 in cash or a number of whole shares of First Commonwealth stock determined by dividing \$28.25 by the average closing price of the First Commonwealth stock during a specified period preceding the completion of the merger. We anticipate that the merger will be tax-free to the extent that you receive First Commonwealth stock in exchange for your shares and taxable to the extent that you receive cash.

You will have the opportunity to elect to receive cash, First Commonwealth stock or a combination of cash and First Commonwealth stock for your Laurel Capital shares. However, the merger agreement provides that no more than 30% of the total merger consideration may be paid in cash. If Laurel Capital shareholders make elections that would result in more than 30% of the merger consideration being paid in cash or more than 70% of the merger consideration being paid in shares of First Commonwealth stock, adjustments will be made to achieve the 30% / 70% proportion of cash to stock required by the merger agreement and, in that event, some Laurel Capital shareholders would receive a portion of their total consideration in a form they did not elect.

First Commonwealth's stock is listed on the New York Stock Exchange under the symbol FCF. On July 10, 2006, First Commonwealth's stock closed at \$12.97 per share. If \$12.97 were the average closing price during the period used to determine such average closing price, you would receive, for each share of Laurel Capital stock that you own, either \$28.25 in cash or 2.178 shares of First Commonwealth stock. The final exchange ratio will not be fixed until the receipt of all required regulatory approvals and the expiration of all statutory waiting periods.

We cannot complete the merger unless it is approved by the shareholders of Laurel Capital at the special meeting. Whether or not you plan to attend the special meeting, please take the time to complete and mail the enclosed proxy card. If you attend the meeting, you may revoke your

proxy and vote in person.

Under Pennsylvania law, our shareholders have dissenters' rights with respect to the merger. As described more fully in the attached proxy statement/prospectus, if you wish to exercise those rights rather than receiving the \$28.25 per share payable in the merger, you must submit a notice in advance of the meeting and not vote in favor of the merger.

Based on our reasons for the merger described in this proxy statement/prospectus, our board of directors believes that the merger is fair to you and in your best interests. Accordingly, our board of directors unanimously recommends that you vote FOR approval of the merger agreement.

The accompanying proxy statement/prospectus describes the special meeting, the merger, and other related matters. Please read the entire document carefully, including the discussion of Risk Factors beginning on page 15.

We look forward to seeing you at the special meeting.

Very truly yours,

Richard J. Cessar
Chairman of the Board

Edwin R. Maus
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the First Commonwealth stock to be issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The shares of First Commonwealth stock are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.

This proxy statement/prospectus is dated _____, 2006, and is first being mailed to Laurel Capital shareholders on or about _____, 2006.

This document incorporates important business and financial information about First Commonwealth that is not included in or delivered with this document. This information is available without charge to shareholders upon written or oral request submitted to First Commonwealth's address and telephone number listed on page 8. To obtain timely delivery, shareholders must request the information no later than August 18, 2006. This information is also available First Commonwealth's website at <http://www.fcbanking.com>.

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2724 Harts Run Road

Allison Park, Pennsylvania 15101

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON AUGUST 25, 2006

To the Shareholders of Laurel Capital Group, Inc.:

Notice is hereby given that a special meeting of shareholders of Laurel Capital Group, Inc., a Pennsylvania corporation, will be held at the Holiday Inn Allegheny Valley, R.I.D.C. Park, 180 Gamma Drive, Pittsburgh, Pennsylvania 15238, on Friday, August 25, 2006, at 10:30 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt an agreement and plan of merger dated as of April 27, 2006, between Laurel Capital Group, Inc. and First Commonwealth Financial Corporation attached as **Annex A** to the proxy statement/prospectus accompanying this notice, and to approve the merger of Laurel Capital Group, Inc. with and into First Commonwealth Financial Corporation;
2. To consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement; and
3. To transact such other business as may properly come before the meeting.

Only holders of record of Laurel Capital stock as of the close of business on July 18, 2006 are entitled to notice of, and to vote at, the special meeting. A list of Laurel Capital shareholders entitled to vote at the special meeting will be available for examination at the special meeting and for a period of ten business days prior to the date of the special meeting during ordinary business hours at Laurel Capital's corporate offices at 2724 Harts Run Road, Allison Park, Pennsylvania 15101.

Whether or not you expect to attend the meeting, please complete, sign and date the enclosed proxy card and return it in the enclosed prepaid envelope as soon as possible. This action will not limit your right to vote in person if you wish to attend the special meeting and vote personally. You may revoke your proxy in the manner described in the proxy statement/prospectus at any time before it is voted at the special meeting.

, 2006

By Order of the Board of Directors,

John A. Howard, Jr.
Secretary

Do not send any stock certificates with the enclosed proxy card. An election form and letter of transmittal will be sent to you in a separate mailing, which should be completed and sent together with your stock certificates to The Bank of New York, the exchange agent for the merger. Whether you vote for or against the proposed merger, please complete and return the election form and letter of transmittal accompanied by your stock certificates before August 24, 2006.

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Annex B Fairness Opinion of Janney Montgomery Scott LLC

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Q: When and where will the special meeting be held?

A: The special meeting will be held at the Holiday Inn Allegheny Valley, R.I.D.C. Park, 180 Gamma Drive, Pittsburgh, Pennsylvania 15238, on Friday, August 25, 2006, at 10:30 a.m., local time.

Q: What are shareholders being asked to vote on at the special meeting?

A: Shareholders will be asked to vote on the adoption of a merger agreement pursuant to which Laurel Capital will merge with First Commonwealth. If at least a majority of the outstanding shares of Laurel Capital stock are not present at the meeting in person or by proxy or if there are not sufficient votes at the time of the special meeting to approve the merger agreement, shareholders will consider and vote on a proposal to adjourn the meeting to a later date or dates, if necessary, to permit further solicitation of proxies.

Q: Who is eligible to vote?

A: Holders of Laurel Capital stock are eligible to vote their shares at the special meeting if they were holders of record of those shares at the close of business on July 18, 2006. As of that date, there were 1,998,646 shares of Laurel Capital stock outstanding held by approximately holders of record. Each holder of Laurel Capital stock is entitled to one vote per share.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus, indicate on your proxy card how you want your shares to be voted, then sign, date and mail the proxy card in the enclosed prepaid return envelope as soon as possible so that your shares may be represented and voted at the special meeting.

In a separate mailing, you will receive an election form to indicate whether you wish to receive First Commonwealth stock, cash or a combination of the two in the merger and a letter of transmittal for use in submitting your Laurel Capital stock certificates for exchange in the merger. Whether you vote for or against the merger, you should complete the election form and letter of transmittal and send them, together with your Laurel Capital stock certificates, to The Bank of New York, the exchange agent for the merger. **Do not send your Laurel Capital stock certificates with your proxy card. Your stock certificates should only be forwarded to The Bank of New York with the election form and letter of transmittal.** Your stock certificates will promptly be returned to you if the merger is not approved.

Copies of this proxy statement/prospectus and the election form and letter of transmittal will be provided upon request to anyone who becomes a Laurel Capital shareholder after the record date and prior to the election deadline in order to permit them to make an election.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. There are three ways for you to revoke your proxy and change your vote. First, you may send a written notice to the Secretary of Laurel Capital stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card. Third, you may vote in person at the special meeting. If your shares are held in the name of your broker, bank or other nominee and you wish to vote in

person, you must bring an account statement and authorization form from your nominee so that you can vote your shares.

Q: What vote is required to approve the merger?

A: The merger agreement must be approved by the affirmative vote of a majority of the votes cast at the special meeting of Laurel Capital's shareholders. All of the executive officers and directors of Laurel Capital, who,

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as of the record date for the special meeting, collectively own approximately 11.3% of the outstanding shares of Laurel Capital stock, have signed voting agreements pursuant to which they have agreed to vote in favor of the merger agreement.

Q: If my shares are held in street name (meaning that my shares are held by a broker as nominee), will my broker vote my shares for me?

A: Your broker will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker will not vote your shares unless instructions are received.

Q: What is the effect of not voting or abstaining?

A: If your shares are not voted or you abstain, your shares will not be counted for or against the merger. In other words, if you do not vote or if you abstain, your failure to vote will have no effect on the proposed merger, assuming a quorum is present at the special meeting. If you sign and send in your proxy card but do not indicate how you want to vote, your shares will be voted in favor of the merger.

Q: Whom should I contact with questions or to obtain additional copies of this proxy statement/prospectus?

A: You should contact John A. Howard, Jr., Secretary of Laurel Capital, at 2724 Harts Run Road, Allison Park, Pennsylvania 15101, (412) 487-7404, Extension 311, with any questions about the merger or the other matters described in the accompanying proxy statement/prospectus. You may also obtain additional information about First Commonwealth and Laurel Capital from documents filed with the Securities and Exchange Commission by following the instructions in the section entitled Where You Can Find Additional Information on page 105.

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SUMMARY OF THIS PROXY STATEMENT/PROSPECTUS

This summary and the preceding Questions and Answers section highlight selected information from this proxy statement/prospectus. We have provided cross-references to more complete discussions of the matters described below. To understand the merger and the merger agreement, you should carefully read this entire document and the documents referred to in **Incorporation of Certain Documents by Reference** on page 105. You should pay special attention to the information presented in **Risk Factors** beginning on page 15 and **Cautionary Statement Regarding Forward-Looking Information** beginning on page 17. A copy of the agreement and plan of merger, executed on April 27, 2006 (which we refer to as the merger agreement), is attached as **Annex A** to this proxy statement/prospectus and is incorporated herein by reference. We encourage you to read the merger agreement in full, since it is the legal document governing the merger transaction.

You will have the right to receive \$28.25 per share of Laurel Capital stock in cash and/or shares of First Commonwealth stock in the merger depending on your election and any proration (Page 22)

If the merger is completed, you will have the right to receive, for each share of Laurel Capital stock you own, either \$28.25 cash or an equivalent value in shares of First Commonwealth stock as calculated in accordance with the terms of the merger agreement. You may elect to receive a combination of cash and First Commonwealth stock in exchange for your shares of Laurel Capital stock, but with respect to each individual share of Laurel Capital stock, you must elect to receive either all cash or all First Commonwealth stock.

The exchange ratio for shares of Laurel Capital stock that are converted into First Commonwealth stock will be determined by dividing \$28.25 by the average closing price of the First Commonwealth stock on the New York Stock Exchange for the ten trading days ending immediately prior to the date on which all required regulatory approvals have been received and all statutory waiting periods for such approvals have expired. We will issue a press release announcing the exchange ratio when it has been determined.

On July 10, 2006, the closing price of First Commonwealth stock on the NYSE was \$12.97. Assuming that \$12.97 was the average closing price during the trading period used to calculate the average price, the exchange ratio for stock issued in the merger would be 2.178 shares of First Commonwealth stock for each share of Laurel Capital stock. The final exchange ratio cannot be determined until we have received all required regulatory approvals for the merger and all applicable statutory waiting periods have expired. First Commonwealth will pay cash in lieu of fractional shares based on the average closing price used to calculate the exchange ratio.

Your election may be subject to proration, which means that you may receive a portion of the merger consideration in a form that you did not elect. The merger agreement provides that no more than 30% of the outstanding shares of Laurel Capital stock may be converted into the right to receive cash and therefore sets the total amount of cash that First Commonwealth will pay to Laurel Capital shareholders in connection with the merger. If holders of more than 30% of the outstanding Laurel Capital stock elect to receive cash or if holders of more than 70% of the outstanding Laurel Capital stock elect to receive stock, the exchange agent will apply allocation and proration procedures set forth in the merger agreement to ensure that the 30% / 70% ratio is achieved. However, if the aggregate amount of stock elections exceeds 70%, First Commonwealth has the right, in its discretion, to increase the percentage of the total merger consideration that is paid in the form of First Commonwealth stock. See **The Merger Allocation and Proration Procedures** on page 24.

In order to make an election, you must properly complete and deliver the election form and letter of transmittal that you will receive in a separate mailing (Page 23)

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We are sending an election form and letter of transmittal and instructions in a separate mailing. If you wish to make an election, you should complete the election form and letter of transmittal and send it to The Bank of

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New York, the exchange agent for the merger. In order to make an effective election, your properly executed election form and letter of transmittal must be received by the exchange agent before the election deadline specified in the election form. You may not make an election as to the consideration to be received for your Laurel Capital shares unless you also submit the letter of transmittal and your stock certificates. You must include your Laurel Capital stock certificates with your election form and letter of transmittal. Please read the instructions to the election form and letter of transmittal for information on completing those forms. Those instructions will also inform you what to do if your stock certificates have been lost, stolen or destroyed. Your submission of the letter of transmittal and your stock certificates before the meeting will expedite your receipt of the merger consideration if the merger is approved. If the merger is not approved, your stock certificates will be returned to you promptly after the meeting.

Do not send your Laurel Capital stock certificates in the envelope provided for returning your proxy card. The stock certificates should only be forwarded to the exchange agent in the envelope provided with the election form and letter of transmittal.

Copies of this proxy statement/prospectus and the election form and letter of transmittal will be provided upon request to all persons who become Laurel Capital shareholders after the record date and prior to the election deadline in order to permit them to make an election.

The merger will be tax-free to the extent you receive First Commonwealth stock in the merger and taxable to the extent you receive cash (Page 41)

For United States federal income tax purposes, if you exchange your Laurel Capital stock solely for cash in the merger, you will recognize gain or loss in an amount equal to the difference between the cash received and your adjusted tax basis in your Laurel Capital stock. We expect that if you receive only First Commonwealth stock in exchange for your shares of Laurel Capital stock, you generally will not recognize any gain or loss for United States federal income tax purposes. However, you will have to recognize income or gain in connection with cash received in lieu of fractional shares of First Commonwealth stock. If you receive a combination of cash and First Commonwealth stock in the merger, you will not recognize loss but will recognize gain, if any, on the shares exchanged to the extent of any cash received. This tax treatment may not apply to all Laurel Capital shareholders.

The obligations of First Commonwealth and Laurel Capital to complete the merger are conditioned on their receipt of legal opinions concerning the federal income tax treatment of the merger. These opinions will not bind the Internal Revenue Service, and the Internal Revenue Service could take a different view with respect to the tax treatment of the merger. To review the tax consequences to Laurel Capital shareholders in greater detail, see *The Merger Material Federal Income Tax Consequences*. We urge you to consult your tax advisors for a full understanding of the tax consequences of the merger to you.

The board of directors of Laurel Capital unanimously recommends that you vote FOR approval of the merger agreement (Page 27)

The board of directors of Laurel Capital has unanimously approved and adopted the merger agreement and recommends that you vote FOR approval of the merger agreement. You should refer to the discussion of the factors the Laurel Capital board of directors considered in determining whether to approve and adopt the merger agreement beginning on page 27.

Laurel Capital's financial advisor believes that the merger consideration is fair to Laurel Capital shareholders (Page 29)

Among other factors considered in deciding to approve the merger, Laurel Capital's board of directors received the opinion of its financial advisor, Janney Montgomery Scott LLC (or Janney), that, as of April 27, 2006 (the date on which the Laurel Capital board of directors approved the merger agreement), the merger

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consideration was fair, from a financial point of view, to the holders of Laurel Capital stock. This opinion was subsequently confirmed in writing as of the date of this proxy statement/prospectus. The opinion dated as of the date of this document is included as **Annex B**. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Janney in providing its opinion. The opinion of Janney is directed to the Laurel Capital board of directors and does not constitute a recommendation to any shareholder as to any matters relating to the merger. Laurel Capital has agreed to pay Janney a fee for serving as Laurel Capital's financial advisor in connection with the merger. The total fee will be approximately \$631,000, of which Janney was paid approximately \$158,000 at the time of signing the merger agreement and approximately \$63,000 upon mailing of this proxy statement/prospectus. Laurel Capital has also agreed to reimburse certain reasonable out-of-pocket expenses incurred by Janney in connection with its engagement.

Laurel Capital's directors and executive officers have interests in the merger that are different from or in addition to their interests as shareholders (Page 37)

When you consider the recommendation by the Laurel Capital board of directors to vote FOR the merger agreement, you should be aware that some of the executive officers and directors of Laurel Capital have interests in the merger as employees and/or directors that are different from, and that may conflict with, your interests as a shareholder. These interests include the following:

Messrs. Edwin R. Maus and John A. Howard each have entered into termination and release agreements with Laurel Capital, Laurel Savings Bank and First Commonwealth as well as noncompetition agreements with First Commonwealth. Under the terms of the noncompetition agreements, Messrs. Maus and Howard will receive lump sum payments after completion of the merger in the amount of \$460,000 and \$265,000, respectively, for agreeing to not compete with First Commonwealth and First Commonwealth Bank for specified periods of time. Under the terms of Mr. Howard's termination and release agreement, his employment will be terminated upon completion of the merger, at which time he will receive a lump sum cash severance payment estimated to be approximately \$170,000. Pursuant to the terms of the termination and release agreement with Mr. Maus, he will be employed by First Commonwealth as a regional manager at an annual salary of \$191,600. In the event his employment is terminated within two years after completion of the merger, he will be entitled to a lump sum cash severance payment estimated to be approximately \$170,000.

Under the terms of the change in control agreement between Laurel Savings Bank and Robert A. Stephens, if his employment is terminated within two years of the completion of the merger, he will be entitled to severance payments and other benefits over a period of 24 months which are estimated to be approximately \$290,000 in the aggregate.

Three other executive officers, Ms. Carrie A. Havas, Ms. Stacy N. Krempasky and Mr. William T. Puz, will be entitled to receive severance payments in accordance with the terms of the First Commonwealth severance policy if they are terminated within one year after completion of the merger. Such severance is estimated to be approximately \$26,200, \$28,750 and \$35,750 with respect to Ms. Havas, Ms. Krempasky and Mr. Puz, respectively.

Pursuant to the terms of the merger agreement, the supplemental executive retirement benefits due to Messrs. Maus, Howard, Stephens and Puz and Mesdames Havas and Krempasky will be amended to provide for the payment of benefits in a lump sum upon completion of the merger, with such benefits to be discounted to present value. As a result, the adjusted sums such officers are estimated to receive in connection with the completion of the merger are \$411,000, \$155,000, \$49,000, \$61,000, \$6,000 and \$2,000, respectively.

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Messrs. Richard J. Cessar and J. Harold Norris, directors of Laurel Capital, will be entitled to receive benefits under Trustee Deferred Compensation Agreements. Such agreements will be amended in connection with the merger to provide that vested benefits due the directors will be paid in 12 equal monthly installments following the completion of the merger. The benefits to be received by Messrs. Cessar and Norris are estimated to amount to approximately \$92,500 and \$74,250, respectively.

As a result of the merger, certain life insurance benefits provided to Messrs. Howard, Stephens and Puz and Mesdames Havas and Krempasky will become vested. Mr. Maus' insurance benefit is already fully vested and will not be affected by the merger. Under the terms of the insurance agreements, the officers will be entitled to an insurance death benefit equal to one times the executive officer's base annual salary as of the July 1st immediately preceding his or her termination of employment due to death.

The merger agreement requires First Commonwealth to indemnify directors, officers, employees and agents of Laurel Capital against claims relating to their service as such for periods prior to the completion of the merger and to provide directors' and officers' insurance against such claims.

First Commonwealth has agreed to appoint all current directors of Laurel Capital to the Pittsburgh regional advisory board of First Commonwealth Bank for a period of at least three years after the merger. Each director will be paid \$1,000 for each meeting that he or she attends.

Each member of the board of directors of Laurel Capital who is not an employee or officer of Laurel Capital has agreed to provide certain advisory services to First Commonwealth for a period of 36 months after the merger in return for a monthly consulting fee \$1,650 (\$2,050 in the case of the Chairman of the Board).

The Laurel Capital board of directors recognized these interests and determined that they did not negatively affect the benefits of the merger to the Laurel Capital shareholders.

We must receive the approval of state and federal regulatory agencies before we can complete the merger (Page 51)

The merger must be approved by the Pennsylvania Department of Banking and the Federal Deposit Insurance Corporation. In addition, we must notify the Federal Reserve Bank of Cleveland of the merger and receive confirmation that the prior approval of the Board of Governors of the Federal Reserve System is not required under the Bank Holding Company Act. These filings have been submitted and are currently pending.

Laurel Capital shareholders have appraisal rights in connection with the merger (Page 59)

Pennsylvania law permits Laurel Capital shareholders to dissent from the merger and to receive the appraised fair value of their shares of Laurel Capital stock in cash in lieu of the merger consideration. To do this, you must follow procedures required under the Pennsylvania statute, including filing certain notices with Laurel Capital and refraining from voting your shares in favor of the merger. If you validly exercise your appraisal rights, your shares of Laurel Capital stock will not be exchanged for cash or shares of First Commonwealth stock in the merger, and your only right will be to receive the appraised fair value of your Laurel Capital stock in cash, which amount could be greater than, less than or the same as the value of the merger consideration you would have received at the closing of the merger. A copy of the Pennsylvania statutes describing these appraisal rights and the procedures for exercising them is attached as **Annex C** to this proxy statement/prospectus.

Completion of the merger is subject to a number of conditions (Page 49)

The completion of the merger depends upon the satisfaction of a number of conditions, including:

Approval of the merger agreement by the shareholders of Laurel Capital.

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Receipt of all necessary federal and state regulatory approvals for the merger.

Receipt of listing approval from the New York Stock Exchange for the First Commonwealth stock to be issued in the merger.

The exercise, if at all, of dissenters rights by shareholders owning less than 10% of the outstanding shares of Laurel Capital stock.

Receipt of resignations of each director and executive officer of Laurel Capital.

We may decide not to complete the merger (Page 50)

The merger agreement may be terminated at any time prior to the consummation of the merger as follows:

First Commonwealth and Laurel Capital may mutually agree to terminate.

Either First Commonwealth or Laurel Capital may terminate if any of the conditions to its obligations under the merger agreement have not been satisfied or waived and the merger is not completed by January 31, 2007, but that date may be extended to March 31, 2007 by First Commonwealth if the closing has not occurred solely because of a delay in the receipt of any regulatory approval.

Either First Commonwealth or Laurel Capital may terminate if any required regulatory approval is denied or is conditioned upon a substantial deviation from the contemplated transaction.

Either First Commonwealth or Laurel Capital may terminate if the Laurel Capital shareholders do not approve the merger agreement at the special meeting.

Either First Commonwealth or Laurel Capital may terminate if the other party materially breaches any of its representations, warranties or covenants in the merger agreement and does not cure the breach after notice.

First Commonwealth may terminate if the Laurel Capital board of directors withdraws or adversely modifies its recommendation of the merger.

Laurel Capital may terminate if it receives a superior acquisition proposal and its board of directors determines that termination of the merger agreement is necessary to comply with its fiduciary duties to the Laurel Capital shareholders.

Laurel Capital may be required to pay a termination fee to First Commonwealth if the merger agreement is terminated under certain circumstances (Page 51)

If the merger agreement is terminated under certain circumstances, Laurel Capital will be required to pay a termination fee of approximately \$2.26 million to First Commonwealth. Laurel Capital must pay the termination fee to First Commonwealth:

if First Commonwealth terminates the merger agreement because Laurel Capital's board of directors has withdrawn or modified its recommendation that shareholders approve the merger agreement or recommends an alternative transaction with another party, or if Laurel Capital's board of directors determines that it is required to terminate the merger agreement to comply with its fiduciary duties after receiving a superior acquisition proposal; or

if either party terminates the merger agreement because the shareholders of Laurel Capital did not approve the merger agreement, at the time of the special meeting an alternative acquisition proposal was pending, and within 12 months after the date of the special meeting a third party acquires Laurel Capital.

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There are differences between the rights of Laurel Capital shareholders and First Commonwealth shareholders (Page 54)

Laurel Capital shareholders who receive shares of First Commonwealth stock will become First Commonwealth shareholders as a result of the merger and, accordingly, their rights after the merger will be governed by First Commonwealth's articles of incorporation and bylaws. Please read carefully the summary of the material differences between the rights of Laurel Capital shareholders and First Commonwealth shareholders under the heading "Comparison of Rights of Shareholders."

Information about First Commonwealth and Laurel Capital (Page 21)

First Commonwealth

First Commonwealth is a bank holding company headquartered in Indiana, Pennsylvania. First Commonwealth's wholly owned subsidiary, First Commonwealth Bank, is a full-service banking institution with 100 retail branch offices in 15 counties throughout central and western Pennsylvania. As of March 31, 2006, First Commonwealth had total assets of \$5.9 billion, net loans of \$3.6 billion and deposits of \$4.0 billion. First Commonwealth provides a broad range of financial products and services, including credit, cash management, investment, deposit, trust, employee benefits consulting and insurance brokerage products and services. First Commonwealth's principal executive offices are located at 22 North Sixth Street, Indiana, Pennsylvania 15701, and its telephone number is (724) 349-7220.

Laurel Capital

Laurel Capital is the holding company of Laurel Savings Bank, headquartered in Allison Park, Pennsylvania. Laurel Savings Bank has eight community offices serving Pittsburgh and the surrounding area of Allegheny and Butler Counties, Pennsylvania. As of March 31, 2006, Laurel Capital had total assets of \$314.3 million, net loans of \$215.0 million and deposits of \$258.8 million. Laurel Capital's principal executive offices are located at 2724 Harts Run Road, Allison Park, Pennsylvania 15101, and its telephone number is (412) 487-7400.

MARKET PRICE AND DIVIDEND INFORMATION

Comparative Prices

The following table presents the closing prices for First Commonwealth stock on the New York Stock Exchange and Laurel Capital stock on the Nasdaq SmallCap Market on April 27, 2006, the last trading day prior to our public announcement that we signed the merger agreement, and on July 10, 2006, the most recent practicable date prior to the date of this proxy statement/prospectus. We announced the merger agreement after the close of trading on April 27, 2006.

Closing Price of

Closing Price of

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	<u>First Commonwealth Stock</u>	<u>Laurel Capital Stock</u>
April 27, 2006	\$ 13.51	\$ 21.73
July 10, 2006	\$ 12.97	\$ 27.80

Table of Contents**Historical Market Prices and Dividends****First Commonwealth**

First Commonwealth stock is listed on the New York Stock Exchange under the symbol FCF. The following table sets forth the high and low prices per share of First Commonwealth stock as reported on the NYSE and the dividends declared per share of First Commonwealth stock for each quarter during the last two fiscal years and through July 10, 2006.

	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
2004			
First Quarter ending March 31, 2004	\$ 15.00	\$ 13.99	\$ 0.160
Second Quarter ending June 30, 2004	14.96	12.01	0.160
Third Quarter ending September 30, 2004	14.30	12.50	0.160
Fourth Quarter ending December 31, 2004	15.90	13.61	0.165
2005			
First Quarter ending March 31, 2005	\$ 15.40	\$ 13.39	\$ 0.165
Second Quarter ending June 30, 2005	14.10	12.73	0.165
Third Quarter ending September 30, 2005	14.70	12.90	0.165
Fourth Quarter ending December 31, 2005	13.77	12.63	0.170
2006			
First Quarter ending March 31, 2006	\$ 14.70	\$ 12.80	\$ 0.170
Second Quarter ending June 30, 2006	14.61	12.14	0.170
Third Quarter (through July 10, 2006)	13.15	12.70	

Laurel Capital

Laurel Capital stock is traded on the Nasdaq SmallCap Market under the symbol LARL. The following table sets forth the high and low prices per share of Laurel Capital stock as reported on the Nasdaq SmallCap Market and the dividends declared per share of Laurel Capital stock for each quarter during the last three fiscal years, and for the first quarter of the 2007 fiscal year through July 10, 2006.

	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
2004			
First Quarter ending September 30, 2003	\$ 21.24	\$ 19.76	\$ 0.20
Second Quarter ending December 31, 2003	25.75	19.13	0.20
Third Quarter ending March 31, 2004	25.98	20.39	0.20
Fourth Quarter ending June 30, 2004	25.00	20.55	0.20
2005			
First Quarter ending September 30, 2004	\$ 23.90	\$ 19.39	\$ 0.20

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Second Quarter ending December 31, 2004	26.20	21.00	0.20
Third Quarter ending March 31, 2005	23.99	21.11	0.20
Fourth Quarter ending June 30, 2005	23.00	20.53	0.20
2006			
First Quarter ending September 30, 2005	\$ 24.00	\$ 20.18	\$ 0.20
Second Quarter ending December 31, 2005	22.25	20.32	0.20
Third Quarter ending March 31, 2006	22.10	19.82	0.20
Fourth Quarter ending June 30, 2006	27.80	20.62	0.20
2007			
First Quarter (through July 10, 2006)	\$ 27.89	\$ 27.74	

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Dividend Policy of First Commonwealth

Holders of First Commonwealth stock are entitled to receive dividends when, as and if declared by the board of directors of First Commonwealth. The timing and amount of future dividends are at the discretion of the board of directors of First Commonwealth and will depend upon the consolidated earnings, financial condition, liquidity and capital requirements of First Commonwealth and its subsidiaries, the amount of cash dividends paid to First Commonwealth by its subsidiaries, applicable government regulations and policies and other factors considered relevant by the board of directors of First Commonwealth. The board of directors of First Commonwealth anticipates that it will continue to pay quarterly dividends in amounts determined based on the factors discussed above.

Table of Contents**UNAUDITED COMPARATIVE AND PRO FORMA PER SHARE DATA**

Summarized below is historical, pro forma combined and pro forma equivalent per share financial information for First Commonwealth and Laurel Capital. The pro forma combined figures in the following table are presented for comparative purposes only and are not necessarily indicative of the combined financial position or results of operations in the future or what the combined financial position or results of operations would have been had the merger been completed and the applicable purchase accounting adjustments been reflected during the periods or as of the date for which the pro forma data is presented.

	As of and for the three months ended	As of and for the twelve months ended
	March 31, 2006	December 31, 2005
Earnings per share		
<i>Basic</i>		
First Commonwealth historical	\$ 0.19	\$ 0.83
Laurel Capital historical	0.23	1.05
Pro forma combined	0.19	0.84
Equivalent pro forma for one share of Laurel Capital common stock (1)	0.41	1.81
<i>Diluted</i>		
First Commonwealth historical	\$ 0.19	\$ 0.83
Laurel Capital historical	0.23	1.03
Pro forma combined	0.19	0.83
Equivalent pro forma for one share of Laurel Capital common stock (1)	0.41	1.79
Cash dividends declared per share		
First Commonwealth historical	\$ 0.17	\$ 0.665
Laurel Capital historical	0.20	0.800
Pro forma combined (2)	0.17	0.665
Equivalent pro forma for one share of Laurel Capital common stock (1)(2)	0.37	1.440
Book value per share		
First Commonwealth historical	\$ 7.32	\$ 7.40
Laurel Capital historical	13.97	14.02
Pro forma combined	7.57	7.66
Equivalent pro forma for one share of Laurel Capital common stock (1)	16.35	16.55

- (1) The Laurel Capital equivalent pro forma information shows the effect of the merger from the perspective of an owner of Laurel Capital common stock. We calculated the Laurel Capital equivalent information by using an assumed exchange ratio of 2.16 shares of First Commonwealth's common stock for each share of Laurel Capital stock and assuming that 70% of the outstanding common stock of Laurel Capital is converted into First Commonwealth stock. 2.16 is the exchange ratio that would apply if the average closing price of the First Commonwealth stock during the averaging period is \$13.10 per share. The actual exchange ratio will depend on the average closing price of First Commonwealth's stock over a 10 trading day period prior to the receipt of regulatory approvals and the expiration of all applicable statutory waiting periods. See "The Merger Agreement Conversion of Laurel Capital Stock" below.
- (2) Assumes no changes in First Commonwealth's cash dividends per share. First Commonwealth's ability to pay dividends in the future is limited by restrictions imposed by federal and state regulatory authorities. Please refer to Note 25 "Regulatory Restrictions and Capital Adequacy" of Notes to Consolidated Financial Statements in First Commonwealth's annual report on Form 10-K for the year ended December 31, 2005 for a discussion of those restrictions.

Table of Contents**FIRST COMMONWEALTH SELECTED CONSOLIDATED FINANCIAL DATA**

The following table provides you with selected historical consolidated financial data of First Commonwealth for each of the past five fiscal years ended December 31, 2005 and the quarters March 31, 2006 and 2005. The following selected financial data is not covered by the report of independent registered public accounting firm and should be read along with the consolidated financial statements and accompanying notes of First Commonwealth included in its annual report on Form 10-K for the year ended December 31, 2005 and its quarterly report on Form 10-Q for the quarter ended March 31, 2006, which are incorporated by reference into this proxy statement/prospectus. For a list of documents incorporated by reference into this proxy statement/prospectus, see [Incorporation of Certain Documents by Reference](#) on page 105.

	As of and for the Three Months Ended March 31,		As of and for the Fiscal Years Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
(dollars in thousands except per share data)							
Interest income	\$ 79,781	\$ 75,637	\$ 312,068	\$ 278,025	\$ 243,773	\$ 275,568	\$ 308,891
Interest expense	38,334	30,705	138,618	110,690	100,241	122,673	167,170
Net interest income	41,447	44,932	173,450	167,335	143,532	152,895	141,721
Provision for credit losses	908	1,744	8,628	8,070	12,770	12,223	11,495
Net interest income after provision for credit losses	40,539	43,188	164,822	159,265	130,762	140,672	130,226
Net securities gains (losses)	63	485	(7,673)	4,077	5,851	642	3,329
Gain on sale of branches	0	0	11,832	0	3,041	0	0
Other operating income	10,233	10,955	46,066	43,572	39,552	37,453	37,776
Litigation settlement (recovery)	0	0	0	0	(610)	8,000	0
Restructuring charges	0	0	5,437	0	0	6,140	0
Merger and related charges	0	0	0	2,125	0	0	0
Debt prepayment fees	0	0	0	29,495	0	0	0
Other operating expenses	35,593	35,393	138,517	132,935	113,265	112,190	105,888
Income before taxes	15,242	19,235	71,093	42,359	66,551	52,437	65,443
Applicable income taxes	2,304	4,016	13,257	3,707	13,251	8,911	15,254
Net income	\$ 12,938	\$ 15,219	\$ 57,836	\$ 38,652	\$ 53,300	\$ 43,526	\$ 50,189
Per Share Data							
Net income	\$ 0.19	\$ 0.22	\$ 0.83	\$ 0.59	\$ 0.90	\$ 0.75	\$ 0.87
Dividends declared	0.170	0.165	0.665	0.645	0.625	0.605	0.585
Average shares outstanding	69,469,709	69,346,722	69,276,141	65,887,611	59,002,277	58,409,614	57,885,478
Per Share Data Assuming Dilution							
Net income	\$ 0.19	\$ 0.22	\$ 0.83	\$ 0.58	\$ 0.90	\$ 0.74	\$ 0.86
Dividends declared	0.170	0.165	0.665	0.645	0.625	0.605	0.585
Average shares outstanding	69,918,151	70,024,400	69,835,285	66,487,516	59,387,055	58,742,018	58,118,057

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	As of and for the Three Months Ended		As of and for the Fiscal Years Ended				
	March 31,		December 31,				
	2006	2005	2005	2004	2003	2002	2001
(dollars in thousands except per share data)							
At End of Period							
Total assets	\$ 5,944,510	\$ 6,200,590	\$ 6,026,320	\$ 6,198,478	\$ 5,189,195	\$ 4,524,743	\$ 4,583,530
Investment securities	1,823,572	2,190,778	1,939,743	2,240,477	2,073,430	1,680,609	1,762,408
Loans and leases, net of unearned income	3,652,087	3,554,441	3,624,259	3,514,833	2,824,882	2,608,634	2,567,934
Allowance for credit losses	38,017	40,794	39,492	41,063	37,385	34,496	34,157
Deposits	3,995,738	3,891,682	3,996,552	3,844,475	3,288,275	3,044,124	3,093,150
Company obligated mandatorily redeemable capital securities of subsidiary trust	0	0	0	0	0	35,000	35,000
Subordinated debentures	108,250	108,250	108,250	108,250	75,304	0	0
Other long-term debt	685,395	729,613	691,494	731,324	718,668	544,934	629,220
Shareholders' equity	515,749	513,137	521,045	531,978	430,946	401,390	370,066
Key ratios							
Return on average assets	0.88%	1.00%	0.94%	0.66%	1.12%	0.96%	1.11%
Return on average equity	9.95%	11.48%	10.89%	7.82%	12.95%	11.09%	13.85%
Net loans to deposits ratio	90.45%	90.29%	89.70%	90.36%	84.77%	84.56%	81.92%
Dividends per share as a percentage of net income per share	89.47%	75.00%	80.12%	109.32%	69.44%	80.67%	67.24%
Average equity to average assets ratio	8.83%	8.67%	8.60%	8.47%	8.68%	8.64%	8.01%

Table of Contents**LAUREL CAPITAL SELECTED CONSOLIDATED FINANCIAL DATA**

The following table provides you with selected historical consolidated financial data of Laurel Capital for each of the past five fiscal years ended June 30, 2005 and nine months ended March 31, 2006 and 2005. The following selected financial data is not covered by the report of independent registered public accounting firm and should be read along with the consolidated financial statements and accompanying notes of Laurel Capital included in this proxy statement/prospectus beginning on page F-1.

	As of and for the Nine Months Ended March 31,		As of and for the Fiscal Years Ended June 30,				
	2006	2005	2005	2004	2003	2002	2001
(dollars in thousands except per share data)							
Interest income	\$ 10,851	\$ 10,273	\$ 13,762	\$ 13,066	\$ 15,197	\$ 16,450	\$ 18,380
Interest expense	5,344	4,657	6,294	6,130	7,651	8,815	10,256
Net interest income	5,507	5,616	7,468	6,936	7,546	7,635	8,124
Provision for credit losses	0	9	9	12	12	18	18
Net interest income after provision for credit losses	5,507	5,607	7,459	6,924	7,534	7,617	8,106
Net gains on securities and loans available for sale	0	0	24	49	15	76	96
Other operating income	980	1,081	1,417	1,460	909	890	1,135
Other operating expenses	4,500	4,554	6,114	6,150	4,799	4,081	4,035
Income before taxes	1,987	2,134	2,786	2,283	3,659	4,502	5,302
Applicable income taxes	571	663	737	596	1,125	1,427	1,663
Net income	\$ 1,416	\$ 1,471	\$ 2,049	\$ 1,687	\$ 2,534	\$ 3,075	\$ 3,639
Per Share Data							
Net income	\$ 0.71	\$ 0.76	\$ 1.06	\$ 0.89	\$ 1.35	\$ 1.59	\$ 1.85
Dividends declared	0.60	0.60	0.80	0.80	0.76	0.72	0.68
Average shares outstanding	1,980,203	1,935,312	1,937,086	1,897,091	1,880,815	1,937,545	1,963,365
Per Share Data Assuming Dilution							
Net income	\$ 0.71	\$ 0.74	\$ 1.03	\$ 0.85	\$ 1.28	\$ 1.51	\$ 1.79
Dividends declared	0.60	0.60	0.80	0.80	0.76	0.72	0.68
Average shares outstanding	2,005,201	1,994,964	1,987,843	1,985,116	1,981,934	2,037,607	2,036,609
At End of Period							
Total assets	\$ 314,295	\$ 307,742	\$ 309,801	\$ 299,375	\$ 322,734	\$ 278,061	\$ 258,012
Investment securities	68,225	75,419	71,337	82,782	71,486	60,740	65,553
Loans and leases, net of unearned income	217,159	205,518	212,685	176,453	184,647	181,496	180,368
Allowance for credit losses	2,000	1,998	1,989	2,032	2,006	1,803	1,759
Deposits	258,810	253,282	254,891	246,179	265,580	225,419	205,636
Other long-term debt	21,597	21,604	21,602	21,609	24,672	21,620	21,626
Shareholders' equity	27,824	27,293	27,804	27,125	27,684	26,553	26,138
Key ratios							

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Return on average assets	0.61%	0.64%	0.67%	0.55%	0.89%	1.18%	1.42%
Return on average equity	6.78%	7.14%	7.45%	6.19%	9.32%	11.50%	14.73%
Net loans to deposits ratio	83.13%	80.35%	82.66%	70.85%	68.77%	79.72%	86.86%
Dividends per share as a percentage of net income per share	84.51%	78.95%	75.47%	89.89%	56.30%	45.28%	36.76%
Average equity to average assets ratio	9.01%	8.97%	8.96%	8.89%	9.52%	10.24%	9.63%

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RISK FACTORS

In considering whether to vote in favor of the proposal to approve the merger agreement, you should consider all of the information in this proxy statement/prospectus and its annexes and all of the information included in the documents First Commonwealth has incorporated by reference. In particular, you should consider the following risk factors.

Risks Relating to the Merger

You may receive a form of consideration different from what you elect.

The merger agreement allows you to elect whether to receive cash, shares of First Commonwealth stock, or a combination of cash and stock in exchange for your Laurel Capital shares. However, your election is subject to the requirement that approximately 30% of the outstanding shares of Laurel Capital stock be exchanged for cash and the remainder be exchanged for First Commonwealth stock. The purpose, in part, of this fixed ratio is to ensure that the transaction qualifies as a tax-free reorganization under the United States Internal Revenue Code with respect to the First Commonwealth stock issued in the merger. The merger agreement contains proration and allocation procedures designed to achieve this outcome. If you elect to receive cash and the available cash is oversubscribed, then you will receive a greater portion of the merger consideration than you elect in the form of First Commonwealth stock. Likewise, if you elect to receive First Commonwealth stock and the available stock is oversubscribed, then you will receive a greater portion of the merger consideration than you elect in the form of cash unless First Commonwealth elects, in its sole discretion, to increase the percentage of the merger consideration composed of First Commonwealth stock to more than 70%. Therefore, you may not receive exactly the form and proportion of consideration that you elect. Because the tax consequences of the merger depend upon the form of consideration you receive, you may recognize gain or loss on some of your shares of Laurel Capital stock notwithstanding your election to receive shares of First Commonwealth stock in the merger in exchange for your Laurel Capital stock.

Because the market price of First Commonwealth stock may fluctuate, Laurel Capital shareholders cannot be sure of the market value of the First Commonwealth Stock that they will receive in the merger.

Under the terms of the merger agreement, the exchange ratio for the First Commonwealth stock to be issued in the merger will be fixed as of the date when all required regulatory approvals for the merger are obtained and all statutory waiting periods for such regulatory approvals have lapsed. Therefore, it is likely that the exchange ratio will be fixed days or possibly weeks in advance of the effective time of the merger. The market price of First Commonwealth stock may fluctuate significantly between the date the exchange ratio is fixed and the date of the closing as a result of a variety of factors, many of which are beyond the control of First Commonwealth, including general market and economic conditions or changes in First Commonwealth's business, operations and prospects. Accordingly, the market value of shares of First Commonwealth stock that a Laurel Capital shareholder receives in the merger will decline correspondingly with any declines in the market price of First Commonwealth's stock price subsequent to the determination of the average closing price of First Commonwealth stock used to establish the exchange ratio and as of the date the merger consideration is exchanged.

If you tender shares of Laurel Capital stock to make an election, you will not be able to sell those shares until after the merger, unless you revoke your election prior to the election deadline.

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In order to make a cash or stock election in the merger, you must tender your stock certificates (or follow the procedures for guaranteed delivery) to the exchange agent by the election deadline, which is 5:00 p.m., New York City time, on August 24, 2006, the day prior to the special meeting (subject to extension under certain circumstances). After you tender your shares, you will not be able to sell any shares of Laurel Capital stock that are tendered, unless you validly revoke your election prior to the election deadline by written notice to the

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exchange agent. Absent such a revocation, until you receive your merger consideration, you will not be able to liquidate your investment to gain access to cash, to take advantage of other investment opportunities, to reduce the potential for a decrease in value of your investment or for any other reason.

Risks Relating to Combined Operations Following the Merger

If we are unable to integrate the businesses of Laurel Capital and First Commonwealth successfully, our business and earnings may be adversely affected.

After the merger, we will undertake to integrate the business of Laurel Capital with that of First Commonwealth. Integration will involve the consolidation of the operations, systems and procedures of the two institutions in order to eliminate redundant functions and costs and to operate on a consistent basis. Cost savings and revenue enhancements are expected to come from the elimination and consolidation of duplicate tasks and from various other areas that management has identified through the due diligence and integration planning processes. We cannot assure you that we will be able to integrate the two operations without encountering difficulties, including the possible loss of employees or customers, disruptions in the delivery of services or inconsistencies in standards, controls, procedures and policies. Such difficulties could interfere with our ability to realize the benefits expected from the merger.

First Commonwealth's growth strategy may involve risks that are different from and in addition to those related to the growth strategy of Laurel Capital prior to the merger.

The merger is part of First Commonwealth's ongoing strategy to expand into different communities and markets through, among other methods, acquisitions of existing financial institutions. First Commonwealth may acquire other financial institutions and related businesses in the future. Such acquisitions involve significant risks including:

Potential exposure to unknown or contingent liabilities of financial institutions and other businesses we acquire.

Exposure to potential asset quality issues at the acquired banks or businesses.

Difficulty and expense of integrating the operations and personnel of banks and businesses we acquire.

Potential disruption of our business.

Potential diversion of management's time and attention.

The possible loss of key employees and customers of the banks and businesses we acquire.

Risks Relating to First Commonwealth's Business

Increases in defaults by borrowers and other delinquencies could result in increases in First Commonwealth's provision for losses on loans and related expenses.

As a lender, First Commonwealth is exposed to the risk that our borrowers may be unable to repay their loans and that collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the lending business and could have a material adverse effect on the operating results of First Commonwealth. First Commonwealth makes various assumptions and judgments about the collectibility of our loan portfolio and provides an allowance for potential losses based on a number of factors. If these assumptions are incorrect, the allowance for credit losses may not be sufficient to cover losses, thereby having an adverse effect on operating results, and may cause us to increase the allowance in the future.

Fluctuations in interest rates and market prices could reduce net interest margin and asset valuations and increase expenses.

First Commonwealth's profitability is largely a function of the spread between the interest rates earned on earning assets and the interest rates paid on deposits and other interest-bearing liabilities. First Commonwealth's

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net interest income and margin will be affected by general economic conditions and other factors, including fiscal and monetary policies of the federal government, that influence market interest rates and the company's ability to respond to changes in such rates. At any given time, First Commonwealth's assets and liabilities may be such that they are affected differently by a change in interest rates. As a result, an increase or decrease in rates, the average life of loans or the mix of adjustable and fixed-rate loans in our portfolio could have a positive or negative effect on our net income, capital and liquidity.

First Commonwealth's business and financial condition may be adversely affected by an increase in competition.

First Commonwealth faces significant competition in attracting and retaining deposits and making loans as well as in providing other financial services throughout our market area. In addition to facing pricing competition for loans and deposits, First Commonwealth also faces competition with respect to customer convenience, product lines, accessibility of service and service capabilities. First Commonwealth's competition comes from other banks and savings institutions, brokerages, credit unions, government-sponsored enterprises, mutual fund companies, insurance companies and other non-bank businesses.

First Commonwealth lacks geographic diversification, and adverse economic and business conditions in First Commonwealth's market area may have an adverse effect on its earnings.

Substantially all of First Commonwealth's business is with customers located in western and central Pennsylvania. First Commonwealth makes loans to local businesses and individuals whose success and ability to repay those loans depends on the regional economy. Adverse economic and business conditions in First Commonwealth's market area could reduce its growth rate, affect its borrowers' ability to repay their loans and adversely affect its financial condition and performance.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement/prospectus and the documents incorporated by reference in this proxy statement/prospectus contain forward-looking statements by First Commonwealth and Laurel Capital concerning future events that are subject to risks, uncertainties and assumptions. These forward-looking statements are based upon our current expectations and projections about future events. When used in this proxy statement/prospectus and in the incorporated documents, the words believe, anticipate, intend, estimate, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are subject to risks, uncertainties and assumptions about First Commonwealth, Laurel Capital and their respective subsidiaries and business affiliates, including, among other things, the factors described above under the Risk Factors section of this proxy statement/prospectus and the following:

Competitive pressures among depository and other financial institutions nationally and in our market areas may increase significantly.

Adverse changes in the economy or business conditions, either nationally or in our market areas, could increase credit-related losses and expenses.

Increases in defaults by borrowers and other delinquencies could result in increases in our provision for losses on loans and leases and related expenses.

Our inability to manage growth effectively, including the successful expansion of our customer support, administrative infrastructure and internal management systems, could adversely affect our results of operations and prospects.

Fluctuations in interest rates and market prices could reduce our net interest margins and asset valuations and increase our expenses.

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The consequences of continued bank acquisitions and mergers in our market area, resulting in fewer but much larger and financially stronger competitors, could increase competition for financial services to our detriment.

Our continued growth will depend in part on our ability to enter new markets successfully and capitalize on other growth opportunities.

Changes in legislative or regulatory requirements applicable to us and our subsidiaries could increase costs, or limit our operations and adversely affect results of operations.

Changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations may increase our tax expense or adversely affect our customers' businesses.

Other factors discussed in First Commonwealth's annual report on Form 10-K for the fiscal year ended December 31, 2005 and quarterly report on Form 10-Q for the quarter ended March 31, 2006.

Other factors discussed in Laurel Capital's annual report on Form 10-K for the fiscal year ended June 30, 2005 and the quarterly report on Form 10-Q for the quarter ended March 31, 2006.

YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE OF THIS PROXY STATEMENT/ PROSPECTUS OR THE INCORPORATED DOCUMENT IN WHICH THEY APPEAR. IN LIGHT OF THESE RISKS, UNCERTAINTIES AND OTHER ASSUMPTIONS, THE RESULTS AND EVENTS CONTEMPLATED BY THESE FORWARD-LOOKING STATEMENTS MIGHT NOT OCCUR. FURTHERMORE, MANY OF THE FACTORS THAT WILL DETERMINE THESE RESULTS AND EVENTS ARE BEYOND THE ABILITY OF FIRST COMMONWEALTH OR LAUREL CAPITAL TO CONTROL OR PREDICT.

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THE SPECIAL MEETING

General

Laurel Capital is furnishing this proxy statement/prospectus to its shareholders in connection with the solicitation of proxies by Laurel Capital's board of directors for use at the special meeting of shareholders, including any meeting adjournments or postponements, to be held on August 25, 2006 at 10:30 a.m., local time, at the Holiday Inn Allegheny Valley, R.I.D.C. Park, 180 Gamma Drive, Pittsburgh, Pennsylvania 15238. In addition, First Commonwealth is furnishing this proxy statement/prospectus to the shareholders of Laurel Capital as its prospectus in connection with the offering and issuance of shares of its stock in the merger.

At the special meeting, Laurel Capital shareholders will consider and vote upon the proposal to approve the merger agreement pursuant to which Laurel Capital will merge with and into First Commonwealth, with the result that each share of Laurel Capital stock will be converted, at the election of the holder, subject to the proration and allocation procedures described below under "The Merger Election and Proration Procedures," into \$28.25 in cash or shares of First Commonwealth stock on the basis described in this proxy statement/prospectus. First Commonwealth will pay cash in lieu of any fractional shares.

In addition, Laurel Capital shareholders will consider and vote on a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the merger agreement and to consider any other matters that may be properly submitted to a vote at the special meeting. At this time, the Laurel Capital board of directors is unaware of any other matters that may be presented for action at the special meeting.

The merger agreement is attached to this proxy statement/prospectus as **Annex A**. For a description of the merger and the terms of the merger agreement, see "The Merger" beginning on page 22 and "The Merger Agreement" beginning on page 45.

Record Date

If you were a Laurel Capital shareholder at the close of business on July 18, 2006, you may vote at the special meeting. As of that date, there were 1,998,646 issued and outstanding shares of Laurel Capital stock held by approximately _____ shareholders of record. Laurel Capital shareholders have one vote per share on the merger and any other matter that may properly come before the special meeting.

Vote Required

The presence in person or by proxy of the holders of a majority of the shares of Laurel Capital stock outstanding on the record date will constitute a quorum for the transaction of business at the special meeting. Laurel Capital will count abstentions and broker non-votes for purposes of establishing the presence of a quorum at the meeting.

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The approval of the merger agreement requires the affirmative vote of a majority of the votes cast on such matter. In addition, the affirmative vote of a majority of the votes cast on the matter at the special meeting is required to approve a proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the merger agreement and any other matter properly submitted to shareholders for their consideration at the special meeting.

Any broker non-votes submitted by brokers or nominees in connection with the special meeting will not be counted for purposes of determining the number of votes cast on a proposal. Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power

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under the applicable New York Stock Exchange rules, which apply to brokers that are NYSE members trading in non-NYSE stock. Under these rules, the proposals to approve the merger agreement and to adjourn the special meeting are not items on which brokerage firms may vote in their discretion on behalf of their clients if such clients have not furnished voting instructions within ten days of the special meeting. Because of the vote required for both the proposal to approve the merger agreement and the proposal to adjourn the special meeting, abstentions and broker non-votes will have no effect on these proposals.

Each director and executive officer of Laurel Capital has entered into a voting agreement with First Commonwealth pursuant to which he or she has agreed to vote all his or her shares of Laurel Capital stock in favor of the merger agreement. These voting agreements increase the likelihood that the merger agreement will be approved by the shareholders of Laurel Capital. On the record date, the executive officers and directors of Laurel Capital had voting power with respect to an aggregate of 225,076 shares of Laurel Capital stock or approximately 11.3% of the shares of Laurel Capital stock then outstanding.

Recommendations of the Laurel Capital Board of Directors

The Laurel Capital board has unanimously approved and adopted the merger agreement and the transactions contemplated thereby. The Laurel Capital board believes that the merger is fair to and in the best interests of Laurel Capital and its shareholders and unanimously recommends that you vote FOR approval of the merger agreement and the transactions contemplated thereby. The Laurel Capital board also unanimously recommends that you vote FOR approval of any proposal that may be made to adjourn the special meeting if necessary to solicit additional proxies to vote in favor of the merger agreement.

Solicitation and Revocation of Proxies

Laurel Capital has enclosed a form of proxy with this proxy statement/prospectus. Shares represented by a proxy will be voted at the special meeting as specified in the proxy. Proxies that are properly signed and dated but that do not have voting instructions will be voted by the proxy holders FOR the merger, FOR adjournment, if necessary, and in the discretion of the proxy holder as to any other matter that may properly come before the meeting.

Laurel Capital asks you to vote by completing, dating and signing the accompanying proxy card and returning it promptly to Laurel Capital in the enclosed, postage-paid envelope even if you plan to attend the meeting in person. **You should not send your stock certificates in the envelope provided for returning your proxy card.**

If you deliver a properly executed proxy, you may revoke the proxy at any time before it is exercised. You may revoke your proxy in either of the following ways:

You may file with the Secretary of Laurel Capital prior to the special meeting, at Laurel Capital's principal executive offices, either a written revocation of the proxy or a duly executed proxy bearing a later date.

You may attend the special meeting and vote in person. Presence at the meeting will not revoke your proxy unless and until you vote in person. If your shares are held in the name of your broker, bank or other nominee and you wish to vote in person, you must bring an

account statement and authorization from your nominee so that you can vote your shares.

Laurel Capital is soliciting proxies for use at the special meeting, and Laurel Capital will bear the cost of solicitations of proxies from its shareholders. In addition to solicitation by mail, directors, officers and employees of Laurel Capital may solicit proxies from shareholders by telephone, in person or through other means. These persons will not receive additional compensation, but they will be reimbursed for the reasonable out-of-pocket expenses they incur in connection with this solicitation. Laurel Capital will also make arrangements with

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brokerage firms, fiduciaries and other custodians who hold shares of record to forward solicitation materials to the beneficial owners of these shares. Laurel Capital will reimburse these brokerage firms, fiduciaries and other custodians for their reasonable out-of-pocket expenses in connection with this solicitation.

Other Matters

No matters other than those set forth in the notice of meeting that accompanies this proxy statement/prospectus, and appropriate procedural matters, may be considered at the special meeting. If other matters are properly presented at the special meeting, the persons named in the proxy will have authority to vote all proxies in accordance with their judgment on any such matter.

THE COMPANIES INVOLVED IN THE MERGER

First Commonwealth

First Commonwealth is a Pennsylvania corporation and a registered bank holding company engaged in the retail banking business through its wholly-owned subsidiary, First Commonwealth Bank, and offers personal financial planning, employee benefit services and investment and insurance products through its wholly owned subsidiary First Commonwealth Financial Advisors and its indirect wholly owned subsidiary First Commonwealth Insurance Agency. First Commonwealth also owns 50% of Commonwealth Trust Credit Life Insurance Company, which provides reinsurance for credit life and credit accident and health insurance sold by First Commonwealth Insurance Agency and the insurance agency subsidiary of the other 50% owner of Commonwealth Trust Credit Life Insurance Company. As of March 31, 2006, First Commonwealth had consolidated total assets of \$5.9 billion, deposits of \$4.0 billion and shareholders' equity of \$516 million.

First Commonwealth Bank is a Pennsylvania-chartered commercial bank headquartered in Indiana, Pennsylvania. First Commonwealth Bank conducts business through 100 retail branch offices in the counties of Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Clearfield, Elk, Indiana, Jefferson, Lawrence, Somerset, Washington, and Westmoreland, Pennsylvania. First Commonwealth Bank offers a full range of financial services including such general retail banking services as demand, savings and time deposits and mortgage, consumer installment and commercial loans.

Financial and other information relating to First Commonwealth, including information relating to First Commonwealth's current directors and executive officers, is set forth in First Commonwealth's annual report on Form 10-K for the fiscal year ended December 31, 2005 and quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2006 and First Commonwealth's Proxy Statement for the 2006 Annual Meeting of Shareholders, which are incorporated by reference to this proxy statement/prospectus. Copies of those materials may be obtained from First Commonwealth as indicated under "Incorporation of Certain Documents by Reference" on page 105.

Laurel Capital

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Laurel Capital is a Pennsylvania corporation and the holding company for Laurel Savings Bank, a Pennsylvania stock savings bank. As of March 31, 2006, Laurel Capital had consolidated total assets of \$314.3 million, deposits of \$258.8 million and shareholders' equity of \$27.8 million.

Laurel Savings Bank operates eight branch offices in Allegheny and Butler Counties, Pennsylvania. Laurel Savings Bank is primarily engaged in attracting deposits from the general public and using these funds to originate permanent first mortgage loans on single-family residential properties, and, to a lesser extent, multi-family residential loans, construction and development loans, commercial real estate loans and consumer loans.

Financial and other information relating to Laurel Capital is set forth in this proxy statement/prospectus under Business of Laurel Capital beginning on page 62, Security Ownership of Certain Beneficial Owners

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and Management of Laurel Capital beginning on page 87, Management's Discussion and Analysis of Financial Condition and Results of Operations of Laurel Capital beginning on page 88 and in the consolidated financial statements of Laurel Capital beginning on page F-1.

THE MERGER

The detailed terms of the merger are contained in the merger agreement attached as **Annex A** to this proxy statement/prospectus and are incorporated in this proxy statement/prospectus by this reference. The following discussion and the discussion under "The Merger Agreement" describe the more important aspects of the merger and the material terms of the merger agreement. These descriptions are qualified by reference to the merger agreement. We encourage you to read the merger agreement carefully.

Structure of the Merger

The merger agreement provides that, after approval of the merger agreement by the shareholders of Laurel Capital and the satisfaction or waiver of the other conditions to the merger, Laurel Capital will merge with and into First Commonwealth, with First Commonwealth continuing as the surviving corporation.

The articles of incorporation and bylaws of First Commonwealth as in effect immediately prior to the merger will be the articles of incorporation and bylaws of the surviving corporation. The board of directors and officers of First Commonwealth immediately prior to the merger will be the board of directors and officers of the surviving corporation after the merger.

Timing of the Closing

The closing of the merger will occur on the fifth business day after the satisfaction or waiver of all of the conditions to the merger, including the receipt of all regulatory approvals and the expiration of all statutory waiting periods, or on such other date as the parties mutually agree. The parties currently anticipate that the closing will occur during the third quarter of 2006.

Conversion of Laurel Capital Stock

In the merger, each share of Laurel Capital stock issued and outstanding immediately prior to the completion of the merger will automatically be converted into the right to receive, at the holder's election, either \$28.25 in cash without interest or a number of shares of First Commonwealth stock calculated by dividing \$28.25 by the average closing price of the First Commonwealth stock on the New York Stock Exchange for the ten trading days ending with the trading day immediately before the date on which all required regulatory approvals have been received and all statutory waiting periods for such approvals have expired, provided, that if First Commonwealth enters into a definitive agreement with a third party providing for the acquisition by such third party of substantially all of the assets of First Commonwealth or at least a majority of the outstanding shares of First Commonwealth's stock, then the average closing price will be calculated instead using the average closing price of the First Commonwealth stock on the NYSE for the ten trading days ending with the last trading day preceding the date on which such acquisition is first publicly announced.

First Commonwealth will not issue any fractional shares in the merger. In lieu of issuing a fractional share, First Commonwealth will pay an amount of cash determined by multiplying that fraction by the average closing price of the First Commonwealth stock used in determining the exchange ratio.

If there is a change in the number or classification of shares of First Commonwealth stock outstanding as a result of a stock split, stock dividend, reclassification, recapitalization, or other similar transaction, the exchange ratio will be proportionately adjusted.

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Your election to receive either cash, stock or a combination of cash and stock is subject to the allocation and proration procedures as well as other provisions in the merger agreement. See Allocation and Proration Procedures beginning on page 24.

Assuming an average closing price of \$12.97 and that exactly 70% of the outstanding Laurel Capital shares are exchanged for First Commonwealth stock, after the merger the former shareholders of Laurel Capital will own 3,163,626 shares of First Commonwealth stock, or approximately 4.3% of the issued and outstanding shares of First Commonwealth stock, based on the 70,646,584 shares of First Commonwealth stock and 2,074,955 shares of Laurel Capital stock outstanding on July 10, 2006 (including, for purposes of this calculation, 76,309 shares issuable upon exercise of outstanding options to purchase Laurel Capital stock).

Election Procedures

First Commonwealth has selected The Bank of New York, which is the current transfer agent for First Commonwealth, to serve as the exchange agent for purposes of effecting the election, allocation, and proration procedures. An election form and letter of transmittal will be provided in a separate mailing. In the election form, you may elect to receive either:

First Commonwealth stock with respect to all of your shares of Laurel Capital stock,

cash with respect to all of your shares of Laurel Capital stock, or

First Commonwealth stock in exchange for a specified number of shares of Laurel Capital stock and cash in exchange for a specified number of shares of Laurel Capital stock.

Shares of Laurel Capital stock with respect to which a shareholder elects to receive First Commonwealth stock are referred to as stock election shares, and shares of Laurel Capital stock with respect to which a shareholder elects to receive cash are referred to as cash election shares. Shares of Laurel Capital stock as to which an effective election is not made in a timely fashion are referred to as no election shares.

The deadline for you to deliver your election form and letter of transmittal to the exchange agent is August 24, 2006, the last business day prior to the special meeting, provided, that if all required regulatory approvals have not been obtained and all statutory waiting periods related to such regulatory approvals have not expired prior to such date, First Commonwealth will extend the election deadline until the third business day following the receipt of the final regulatory approval and the expiration of all statutory waiting periods related to such regulatory approvals required to consummate the merger. First Commonwealth will make a public announcement providing information regarding the new election deadline in that situation.

All elections must be made on an election form. To make an effective election with respect to shares of Laurel Capital stock, you must deliver the following items to the exchange agent prior to the election deadline:

a properly completed election form and letter of transmittal;

your certificates for shares of Laurel Capital stock or an appropriate guarantee of delivery; and

any other required documents described in the election form and letter of transmittal.

You may change your election by submitting to the exchange agent a properly completed and signed revised election form and letter of transmittal and all required additional documents. To be effective, however, the exchange agent must receive these revised documents prior to the election deadline. If some but not all of the revised documents are received by the election deadline, all of the holder's shares will be considered no election shares.

You may revoke your prior valid election by written notice received by the exchange agent prior to the election deadline. You may also revoke a prior valid election by submitting a written withdrawal of your share

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certificates or of the notice of guaranteed delivery of your share certificates previously deposited with the exchange agent. Again, the exchange agent must receive this written withdrawal before the election deadline.

Do not return your certificates representing shares of Laurel Capital stock with the enclosed proxy. The stock certificates should only be forwarded to the exchange agent with the election form and letter of transmittal.

If you have a preference as to the form of consideration to be received for your shares of Laurel Capital stock, you should make an election. Shares as to which an election is made will be given priority in allocating the merger consideration over shares for which an election is not received. **None of First Commonwealth, the board of directors of First Commonwealth, Laurel Capital, or the board of directors of Laurel Capital makes any recommendation as to whether you should elect to receive cash, First Commonwealth stock or a combination of cash and First Commonwealth stock.**

Following the completion of the merger and upon surrender of all of the certificates representing shares of Laurel Capital stock registered in your name, or a satisfactory indemnity if any of such certificates are lost, stolen or destroyed, together with a properly completed letter of transmittal, The Bank of New York will mail to you the cash and/or First Commonwealth stock to which you are entitled, less the amount of any required withholding taxes. You will not receive interest on any cash. If the merger is not approved, all stock certificates previously submitted will promptly be returned.

Dividends declared by First Commonwealth after the completion of the merger will be payable on all shares First Commonwealth stock issued in the merger, but no dividend or other distribution payable to the holders of record of First Commonwealth stock at or as of any time after the completion of the merger will be paid to holders of Laurel Capital stock who receive First Commonwealth stock in the merger until they physically surrender all certificates as described above. After the completion of the merger, the stock transfer books of Laurel Capital will close, and there will be no transfers on the transfer books of Laurel Capital.

Allocation and Proration Procedures

The merger agreement provides that no more than 30% of the outstanding shares of Laurel Capital stock will be converted into cash in the merger. It is unlikely that shareholders owning exactly 70% of the outstanding Laurel Capital shares will elect to receive First Commonwealth stock and shareholders owning exactly 30% will elect to receive cash. As a result, the merger agreement describes procedures to be followed if Laurel Capital shareholders in the aggregate elect to receive more or less of the First Commonwealth stock than First Commonwealth has agreed to issue. These procedures are summarized below.

If Cash Is Undersubscribed: If Laurel Capital shareholders elect to receive less than 30% of the aggregate merger consideration in cash, then:

The exchange agent will first reclassify no election shares as cash-election shares. If less than all no election shares need to be reclassified in order to result in 30% of the merger consideration being paid in cash, the exchange agent will reclassify no election shares as cash election shares on a pro rata basis (subject to rounding to avoid the reclassification of partial shares), and the remaining no election shares will be reclassified as stock-election shares.

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If the amount of cash to be paid after the reclassification of all no election shares is still less than 30% of the aggregate merger consideration, the exchange agent will reclassify stock-election shares as cash-election shares as necessary to reach 30% cash. The stock-election shares so reclassified will be taken on a pro rata basis from all stock-election shares (subject to rounding to avoid the reclassification of partial shares).

However, if cash is undersubscribed, First Commonwealth may choose to reduce the percentage of the aggregate merger consideration that is paid in cash (and thereby increase the percentage of the aggregate merger

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consideration that is paid the form of First Commonwealth stock) to allow all or a greater percentage of stock election shares and no election shares to be converted into shares of First Commonwealth stock.

If First Commonwealth Stock Is Undersubscribed: If Laurel Capital shareholders elect to receive less than 70% of the aggregate merger consideration in shares of First Commonwealth stock, then:

The exchange agent will first reclassify no election shares as stock-election shares. If less than all no election shares need to be reclassified in order to result in 70% of the merger consideration being paid in stock, the exchange agent will reclassify no election shares as stock-election shares on a pro rata basis (subject to rounding to avoid the reclassification of partial shares) and the remaining no election shares will be reclassified as cash-election shares.

If the stock issuable after the reclassification of all no election shares is still less than 70% of the aggregate merger consideration, the exchange agent will reclassify cash-election shares as stock-election shares as necessary to reach 70% stock. The cash-election shares so reclassified will be taken on a pro rata basis from all cash election shares (subject to rounding to avoid the reclassification of partial shares).

There is no guarantee that you will receive the exact form and proportion of consideration that you elect to receive.

Background of the Merger

From time to time over the past several years and most recently in June 2005, the Laurel Capital board of directors has periodically discussed and reviewed Laurel Capital's business, performance and prospects and has considered various strategic alternatives. The strategic alternatives considered by the Laurel Capital board of directors have included continuing its on-going operations as an independent institution, acquiring other depository institutions or branch offices and entering into a merger or acquisition transaction with a similarly sized or larger institution. The Laurel Capital board of directors has also periodically reviewed the competitive environment in the bank's market area and merger and consolidation activity in the financial services industry in general and in western Pennsylvania and eastern Ohio in particular.

On July 21, 2005 at the regular meeting of the board of directors of Laurel Capital, the board reviewed Laurel Capital's projected financial performance and current market conditions. At such meeting, as a result of such discussions in concert with the discussions held by the board in June 2005, the board determined it was appropriate to seek the advice of an investment banking firm to evaluate the various strategic alternatives available to Laurel Capital, including the potential value of Laurel Capital in a sale of control transaction. The board of directors authorized Edwin R. Maus, the President and Chief Executive Officer, to request proposals from various investment banking firms to represent Laurel Capital. Such firms made detailed presentations at a special meeting of the board of directors held on October 5, 2005 with respect to their proposed engagement by Laurel Capital. At a special meeting of the Laurel Capital board of directors on November 10, 2005, the board selected Janney, a nationally recognized investment banking firm that is experienced in advising banks and thrift institutions in the area of strategic planning as well as merger and acquisition transactions, to represent it and authorized Mr. Maus to negotiate, with assistance of counsel, the terms for Janney's engagement. Laurel Capital engaged Janney as of December 22, 2005.

At a special meeting of the board of directors held on January 20, 2006, Janney made a detailed presentation outlining the various strategic alternatives available to Laurel Capital, including a possible sale or merger of the company. After careful consideration and extensive discussion, the Board concluded that it would be in Laurel Capital's best interests to consider a possible merger transaction. The Laurel Capital board authorized Janney to prepare, with the assistance of management and counsel, a confidential information memorandum which would be used to

solicit indications of interest. At the regular board meeting held on February 16, 2006, the board of directors authorized management to finalize the confidential information memorandum and authorized Janney to

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contact selected institutions that were considered likely to have some interest in engaging in a business transaction with Laurel Capital.

In late February 2006, Janney contacted 16 institutions on Laurel Capital's behalf, including First Commonwealth, to inquire whether they were interested in discussing a possible business combination transaction with Laurel Capital. Prospective bidders, including First Commonwealth, were asked to submit preliminary indications of interest for a merger with Laurel Capital by March 17, 2006. Of the 16 institutions contacted, 12, including First Commonwealth signed confidentiality agreements and received the confidential information memorandum and six, including First Commonwealth submitted preliminary indications of interest.

At a special meeting on March 21, 2006, Laurel Capital's board of directors met to consider the six preliminary indications of interest which Janney had received on behalf of Laurel Capital. First Commonwealth made a fixed price proposal to acquire all of Laurel Capital's shares of stock in a merger for \$27.00 per share, with the merger consideration to be paid in a combination of cash and stock, with the aggregate stock portion of the merger consideration to amount to at least 70% of the aggregate merger consideration. The proposal also provided that the exchange ratio would be based upon the average trading price of First Commonwealth stock over a ten-day trading period ending prior to closing and did not include any price collars or any price conditions. One other bidder proposed to acquire Laurel Capital at a slightly higher nominal value of \$27.50 per share as of the date of signing the definitive agreement with the merger consideration to consist of a combination of stock and cash, with 75% of the merger consideration consisting of shares of stock of such bidder. The exchange ratio of this proposal was to be calculated using the average trading price of the bidder's stock over the ten-day trading period ending immediately prior to the execution of the definitive merger agreement, resulting in a fixed exchange ratio rather than a fixed price transaction. The proposal did not include price collars or any other price conditions. The other four proposals were at price levels below First Commonwealth's proposal. All the proposals were subject to a due diligence review of Laurel Capital by the bidders. The Laurel Capital board of directors reviewed each indication of interest in detail with Janney and reviewed the financial and market performance of each bidder. Laurel Capital's special counsel, Elias, Matz, Tiernan & Herrick L.L.P. (which we refer to as Elias, Matz), discussed the legal aspects of each proposal and the board's fiduciary duties. After discussion of all the proposals, the board authorized management and Janney to pursue discussions regarding a possible merger with both First Commonwealth and the other bidder specifically referenced above requesting representatives of each to meet with the Laurel Capital board of directors.

Janney contacted First Commonwealth and the other bidder and scheduled meetings between the Laurel Capital board of directors and representatives of each bidder. On March 30, 2006, the Laurel Capital board of directors met with David S. Dahlman, Chairman of the Board, Joseph E. O'Dell, President and Chief Executive Officer of First Commonwealth, Jerry Thomchick, Senior Executive Vice President and Chief Operating Officer of First Commonwealth and John J. Dolan, Executive Vice President and Chief Financial Officer. Representatives of Janney were also present at this meeting. At this meeting, the parties discussed their respective institutions, including their historical financial performance, their operations, their strategic plans and their management philosophies. Also on March 30, 2006, the Laurel Capital board of directors and Janney met with representatives of and discussed the same matters with representatives of the other bidder. In accordance with the process discussed with Laurel Capital's board of directors, Janney asked each of First Commonwealth and the other bidder to submit their best offer by 12:00 noon on April 5, 2006.

On April 5, 2006, Janney received revised proposals from each of First Commonwealth and the other bidder. At a special meeting of the Laurel Capital Board on April 7, 2006, Janney compared the revised proposals with the board. Under the terms of the final revised proposal of First Commonwealth, it proposed to acquire all the outstanding shares of Laurel Capital stock in a merger at a price of \$28.25 per share, on a fixed price basis, with the merger consideration consisting of a combination of 70% First Commonwealth stock and 30% cash. The exchange ratio would be determined by reference to the average trading price of First Commonwealth stock over a ten-day trading period ending prior to the consummation of the merger. The other bidder, in its final revised proposal, proposed to acquire all the outstanding shares of Laurel Capital stock in a merger with an initial price

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of \$28.25 as of the date of execution of the definitive merger agreement with a fixed exchange ratio. Under the other bidder's proposal, the exchange ratio would be fixed at the time of the execution of the definitive merger agreement based on the ten-day average trading value of the other bidder's stock immediately preceding the execution date. Thus, the value of the transaction could be more or less than \$28.25 at the time of closing the merger, depending on the market value of the other bidder's stock subsequent to execution of the definitive merger agreement. Neither proposal included any price collars or price conditions. Elias, Matz reviewed with Laurel Capital's board of directors the legal terms of each proposal. The board of directors considered both proposals in detail as well as the history and prospects of both First Commonwealth and the other bidder. On the basis of this information and after careful review of each bidder's proposal, the Laurel Capital board of directors directed management and its advisors to negotiate a definitive merger agreement with First Commonwealth and to present such agreement to the board of directors for its consideration and approval. During the next three weeks, management, Elias, Matz and Janney negotiated the terms of the definitive merger agreement, employment-related agreements and other merger-related agreements.

On April 12, 2006, representatives of First Commonwealth began their due diligence review of Laurel Capital at an offsite location. This review included, among other things, interviews with Laurel Capital's officers, discussions with Laurel Capital's outside auditors, a review of selected loan files and a review of other documents requested by First Commonwealth. By the end of the day on April 13, 2006, First Commonwealth had substantially completed its due diligence review of Laurel Capital and indicated to Laurel Capital that it had found no significant issues that would cause it to want to modify its offer. First Commonwealth's counsel delivered to Laurel Capital's counsel a draft of the merger agreement on April 13, 2006.

On April 12, 2006, representatives of Laurel commenced a due diligence review of First Commonwealth at an offsite location. Such due diligence review continued on April 13, 2006 with the assistance of Janney. On April 14, 2006, Janney continued the due diligence review of First Commonwealth at First Commonwealth's headquarters. At that time, First Commonwealth confirmed to Janney that it found no issues that would prevent the execution of a merger agreement on the terms offered by First Commonwealth.

On April 27, 2006, the Laurel Capital board of directors held a special meeting to consider the proposed merger with First Commonwealth. At this meeting, Janney made a detailed presentation to the board of directors, including a financial analysis of the proposed merger. In addition, Janney delivered its oral opinion concerning the fairness, from a financial point of view, of the proposed consideration to be received by Laurel Capital's shareholders as set forth in the merger agreement, which was later confirmed in writing. Elias, Matz reviewed in detail with the board of directors the terms of the merger agreement and related documents and matters. The Board considered the terms of the merger agreement, the potential advantages and risks associated with the merger, and the financial analyses of Janney. Following discussion, by the unanimous vote of all directors, the Laurel Capital board of directors approved the merger agreement, the employment-related agreements and the other merger-related agreements and the transactions contemplated by these agreements, authorized management to enter into the merger agreement, the employment-related agreements and the other merger-related agreements and agreed to recommend that shareholders vote their shares in favor of approving the merger agreement. Following the close of the financial markets on the afternoon of April 27, 2006, Laurel Capital and First Commonwealth executed the merger agreement, the employment-related agreements and the other merger-related agreements and issued a joint press release publicly announcing the transaction.

Recommendation of the Laurel Capital Board of Directors and Reasons for the Merger

After careful consideration, the Laurel Capital board unanimously approved the merger agreement and unanimously recommends that Laurel Capital shareholders vote FOR approval and adoption of the merger agreement.

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The Laurel Capital board has determined that the merger is fair to, and in the best interests of, Laurel Capital and its shareholders. In approving the merger agreement, the Laurel Capital board consulted with Janney with respect to the financial aspects and fairness of the merger consideration to be received by Laurel Capital shareholders from a financial point of view and with its legal counsel as to its legal duties and the terms of the merger agreement. In arriving at its determination, the Laurel Capital board also considered a number of factors, including the following:

the board's familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of Laurel Capital;

the current and prospective environment in which Laurel Capital operates, including regional and local economic conditions, the competitive environment for savings banks and other financial institutions generally and the increased regulatory burdens, and the cost associated therewith, on financial institutions generally and the trend toward consolidation in the banking industry and in the financial services industry;

the financial presentation of Janney and the opinion of Janney that, as of the date of such opinion, the merger consideration of \$28.25 per share was fair, from a financial point of view, to the holders of Laurel Capital stock (see Opinion of Laurel Capital's Financial Advisor, beginning on page 29);

the historical market prices of the Laurel Capital stock and the fact that the \$28.25 per share merger consideration represented a 26.7% premium over the per share closing price of the Laurel Capital stock on the business day before the merger was announced and a 33.0% premium over the average per share closing prices of the Laurel Capital stock during the four-week period immediately preceding the merger announcement;

the ability of Laurel Capital shareholders to elect to receive cash or shares of stock of First Commonwealth, subject to certain limitations;

the increased value for shareholders of Laurel Capital as a result of First Commonwealth's historically higher dividend yield;

the increased liquidity for shareholders of Laurel Capital as holders of First Commonwealth stock, which is traded on the New York Stock Exchange rather than Nasdaq and has a significantly greater float and average trading volumes;

results that could be expected to be obtained by Laurel Capital if it continued to operate independently, and the likely benefits to shareholders of continued independent operations, as compared with the value of the merger consideration being offered by First Commonwealth;

the ability of First Commonwealth to pay the aggregate merger consideration and to receive the requisite regulatory approvals in a timely manner;

the fact that the consideration to be received in the merger is fixed at \$28.25 per share, thus eliminating any uncertainty in valuing the merger consideration to be received by Laurel Capital shareholders;

the business operations, earnings and financial condition of First Commonwealth on an historical and prospective basis and the historical market price and potential future value of First Commonwealth's stock;

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the current and prospective economic and competitive environment of First Commonwealth relative to the financial services industry generally;

the tax consequences of the merger to Laurel Capital shareholders;

the results of Laurel Capital's due diligence review of First Commonwealth;

the terms and conditions of the merger agreement, including the parties' respective representations, warranties, covenants and other agreements, the conditions to closing, a provision which permits Laurel

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Capital's board of directors, in the exercise of its fiduciary duties, under certain conditions, to furnish information to, or engage in negotiations with, a third party which has submitted an unsolicited proposal to acquire Laurel Capital, a provision providing for Laurel Capital's payment of a termination fee to First Commonwealth if the merger agreement is terminated under certain circumstances and the effect such termination fee could have on a third party's decision to propose a merger or similar transaction to Laurel Capital at a higher price than that contemplated by the merger with First Commonwealth;

the financial interests of the directors and executive officers of Laurel Capital in the transaction that are in addition to their interests as shareholders;

the effects of the merger on Laurel Capital's depositors and customers and the communities served by Laurel Capital; and

the effects of the merger on Laurel Capital's employees, including the prospects for employment with a growing organization such as First Commonwealth and the severance and other benefits agreed to be provided by First Commonwealth to Laurel Capital's employees.

The discussion and factors considered by the Laurel Capital board is not intended to be exhaustive, but includes all material factors considered. In approving the merger agreement, the Laurel Capital board did not assign any specific or relative weights to any of the foregoing factors and individual directors may have weighted factors differently.

Opinion of Laurel Capital's Financial Advisor

Pursuant to the terms of its agreement, Janney Montgomery Scott LLC was retained by Laurel Capital to act as its financial advisor in connection with a possible business combination with First Commonwealth. Laurel Capital selected Janney because of Janney's knowledge of, experience with, and reputation in the financial services industry. Janney agreed to assist Laurel Capital in analyzing, structuring, negotiating and effecting a possible merger. Janney, as part of its investment banking business, continually engages in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Janney acted as financial advisor to Laurel Capital in connection with the proposed merger and participated in certain of the negotiations leading to the merger agreement. Laurel Capital's board considered and approved the merger agreement at the April 27, 2006 board meeting. Janney delivered an oral opinion, subsequently confirmed in writing, that as of April 27, 2006, the merger consideration was fair to Laurel Capital's shareholders from a financial point of view.

The full text of Janney's updated opinion is attached as Annex B to this joint proxy statement/prospectus. Laurel Capital's shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Janney in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion.

Janney's opinion speaks only as of the date of the opinion. The opinion was directed to the Laurel Capital board of directors and addresses only the fairness, from a financial point of view, of the consideration offered in the merger. It does not address the underlying business decision of Laurel Capital to proceed with the merger or any other aspect of the merger and does not constitute a recommendation to any Laurel Capital shareholder as to how such shareholder should vote at the special meeting with respect to the merger or the form of consideration a shareholder should elect in the merger or any other matter.

In rendering its opinion, Janney reviewed and considered, among other things:

- (a) the merger agreement;
- (b) certain publicly available financial statements and other historical financial information of Laurel Capital that Janney deemed relevant;

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- (c) certain publicly available financial statements and other historical financial information of First Commonwealth that Janney deemed relevant;
- (d) internal financial projections for Laurel Capital for the year ending June 30, 2006 prepared by and reviewed with management of Laurel Capital;
- (e) earnings per share estimates for First Commonwealth for the years ended December 31, 2006 and 2007 based on the consensus earnings per share estimates of the equity research analysts covering First Commonwealth combined with discussions of such estimates with management of First Commonwealth;
- (f) the pro forma financial impact of the merger on First Commonwealth, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings;
- (g) the publicly reported historical stock price and trading activity for Laurel Capital and First Commonwealth's common stock, including a comparison of certain financial and stock market information for Laurel Capital and First Commonwealth with similar publicly available information for certain other companies, the securities of which are publicly traded;
- (h) the financial terms of certain recent business combinations in the banking industry, to the extent publicly available;
- (i) the current market environment generally and the banking environment in particular; and
- (j) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Janney considered relevant.

Janney also discussed with certain members of senior management of Laurel Capital the business, financial condition, results of operations and prospects of Laurel Capital and held similar discussions with certain members of senior management of First Commonwealth regarding the business, financial condition, results of operations and prospects of First Commonwealth.

In performing its review and in rendering its opinion, Janney relied upon the accuracy and completeness of all of the financial and other information that was available to it from public sources, that was provided to it by Laurel Capital or First Commonwealth or their respective representatives or that was otherwise reviewed by Janney, and assumed such accuracy and completeness for purposes of rendering its opinion. Janney further relied on the assurances of management of Laurel Capital and First Commonwealth that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Janney has not been asked to and has not undertaken any independent verification of any such information and Janney does not assume any responsibility or liability for the accuracy or completeness thereof. Janney did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Laurel Capital or First Commonwealth or any of their subsidiaries, or the collectibility of any such assets, nor has Janney been furnished with any such evaluations or appraisals. Janney did not make any independent evaluation of the adequacy of the allowance for loan losses of Laurel Capital or First Commonwealth or any of their subsidiaries nor has Janney reviewed any individual credit files and has assumed that their respective allowances for loan losses are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

The earnings projections for Laurel Capital used and relied upon by Janney in certain of its analyses were based upon Laurel Capital's internal financial projections prepared by and reviewed with management. The earnings projections for First Commonwealth used and relied upon by Janney in certain of its analyses were based on the consensus earnings per share estimates of the equity research analysts covering First Commonwealth combined with discussions of such estimates with management of First Commonwealth. The financial projections provided by

management of Laurel Capital were prepared for internal purposes only and not with a view towards public disclosure. These projections, as well as other estimates used by Janney in its

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analyses, were based on numerous variables and assumptions that are inherently uncertain, and accordingly, actual results could vary materially from those set forth in such projections.

In performing its analyses, Janney also made numerous assumptions with respect to industry performance, business, economic and market conditions and various other matters, many of which cannot be predicted and are beyond the control of Laurel Capital and First Commonwealth and Janney. The analyses performed by Janney are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Estimates of the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. Janney prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Laurel Capital board of directors on April 27, 2006. In addition, Janney's opinion was among several factors taken into consideration by the Laurel Capital board of directors in making its decision to approve the merger agreement and the merger.

Janney's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. Events occurring after the date of the opinion could materially affect the opinion. Janney has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Janney expressed no opinion herein as to what the value of First Commonwealth's common stock will be when issued to Laurel Capital's shareholders pursuant to the merger agreement or the prices at which Laurel Capital's or First Commonwealth's common stock may trade at any time.

In rendering its opinion, Janney performed a variety of financial analyses. The following is a summary of the material analyses prepared by Janney for its meeting with the Laurel board on April 27, 2006. The summary is not a complete description of all the analyses underlying Janney's opinion. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. Janney believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. The financial analyses summarized below include information presented in a tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. Also, no company or transaction used in the comparable analyses listed below is identical to Laurel Capital or First Commonwealth and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transactions values, as the case may be, of Laurel Capital or First Commonwealth and the companies to which they are being compared.

Summary of Proposal. Janney reviewed the financial terms of the proposed transaction. Based on an implied transaction price per share of \$28.25, 1,991,177 shares of Laurel Capital common stock outstanding and 83,778 options to purchase Laurel Capital common stock at a weighted average exercise price of \$14.84, Janney calculated the aggregate merger consideration to be \$57.4 million.

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Based upon Laurel Capital's financial information as of and for the twelve months ended December 31, 2005, Janney calculated the following ratios:

Transaction Ratios

Transaction Price / Last Twelve Months EPS	27.5x
Transaction Price / Estimated 2006 EPS	28.3x
Transaction Price / Stated Book Value per Share	201.4%
Transaction Price / Stated Tangible Book Value per Share	227.3%
Tangible Book Premium / Core Deposits	14.0%(1)
Premium to Market	27.8%(2)

- (1) Tangible Book Premium / Core Deposits is equal to (Total Deal Consideration - Tangible Book Value)/Core Deposits. Core Deposits exclude brokered certificates of deposits and time deposits greater than \$100,000.
- (2) Calculated based on the closing sales price of Laurel Capital's common stock as of April 24, 2006.

For purposes of Janney's analyses, earnings per share were based on fully diluted earnings per share.

Stock Trading History. Janney reviewed the reported closing per share market prices and volume of the common stock of First Commonwealth and Laurel Capital and the relationship between the movements in the prices of First Commonwealth's common stock and Laurel Capital's common stock, respectively, to movements in certain stock indices, including the NASDAQ Bank Index, S&P Bank Index, S&P 500 Index and to the weighted average (by market capitalization) performance of a peer group of publicly-traded financial institutions headquartered in Pennsylvania, Ohio and West Virginia. The institutions included in these peer groups are identified in the section "Comparable Company Analysis" below.

During the one-year and three-year period ended April 24, 2006, First Commonwealth's and Laurel Capital's common stock both underperformed the NASDAQ Bank, S&P Bank and S&P 500 Indices. However, both First Commonwealth and Laurel Capital outperformed the indices for their relative peer groups over both the one-year and three-year periods ending April 24, 2006.

One-Year Stock Performance of First Commonwealth and Laurel Capital

	Beginning Index	Ending Index
	Value	Value
	April 22, 2005	April 24, 2006
First Commonwealth	100.00%	104.96%
First Commonwealth Peer Group	100.00%	103.64%
Laurel Capital	100.00%	100.45%
Laurel Capital Peer Group	100.00%	99.19%
NASDAQ Bank Index	100.00%	112.78%

S&P Bank Index	100.00%	108.17%
S&P 500 Index	100.00%	113.54%

Three-Year Stock Performance of First Commonwealth and Laurel Capital

	Beginning Index	Ending Index
	Value	Value
	April 24, 2003	April 24, 2006
	<u> </u>	<u> </u>
First Commonwealth	100.00%	113.12%
First Commonwealth Peer Group	100.00%	109.65%
Laurel Capital	100.00%	115.46%
Laurel Capital Peer Group	100.00%	109.94%
NASDAQ Bank Index	100.00%	141.18%
S&P Bank Index	100.00%	130.87%
S&P 500 Index	100.00%	143.52%

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Comparable Company Analysis. Janney used publicly available information to compare selected financial and market trading information for Laurel Capital and a group of thrift institutions headquartered in Pennsylvania and Ohio selected by Janney. This peer group consisted of the following publicly traded thrift institutions with total assets between \$250 million and \$1 billion:

PVF Capital Corp.

Harleysville Savings Financial Corporation

Fidelity Bancorp, Inc.

TF Financial Corporation

First Star Bancorp, Inc.

First Keystone Financial, Inc.

WVS Financial Corp.

Wayne Savings Bancshares, Inc.

Janney used publicly available information to compare selected financial and market trading information for First Commonwealth and a group of commercial banking institutions headquartered in Pennsylvania, Ohio and West Virginia selected by Janney. This peer group consisted of the following publicly traded commercial banking institutions with total assets between \$2 billion and \$12 billion:

FirstMerit Corporation

Susquehanna Bancshares, Inc.

United Bankshares, Inc.

F.N.B. Corporation

Park National Corporation

National Penn Bancshares, Inc.

WesBanco, Inc.

First Financial Bancorp.

Community Banks, Inc.

S&T Bancorp, Inc.

Harleysville National Corporation

Sterling Financial Corporation

City Holding Company

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For purposes of such analysis, the financial information used by Janney was as of and for the twelve months ended December 31, 2005. Stock price information was as of April 24, 2006. Certain financial data prepared by Janney, and as referenced in the tables presented below, may not correspond to the data presented in Laurel Capital's and First Commonwealth's historical financial statements, as a result of the different periods, assumptions and methods used by Janney to compute the financial data presented. The results of this analysis are summarized in the following table:

	Peer		Peer
	Group	First	Group
	Laurel	Commonwealth	Group
	Capital	Median	Median
Loans / assets	69.8%	58.1%	67.1%
Borrowings / assets	7.0%	24.7%	15.4%
Tangible equity / tangible assets	8.08%	6.51%	7.23%
Non-performing assets for more than 90 days / assets	0.22%	0.24%	0.39%
Loan loss reserve / non-performing assets for more than 90 days	299.1%	128.0%	194.8%
Loan loss provision / net charge offs	NM	314.4%	92.2%
Last twelve months core ROAA	0.66%	0.62%	1.23%
Last twelve months core ROAE	7.38%	8.50%	13.29%
Asset growth rate (year over year)	0.3%	2.9%	2.5%
Loan growth rate (year over year)	7.9%	7.2%	4.5%
Deposit growth rate (year over year)	0.1%	2.3%	6.0%
Net interest margin	2.56%	2.24%	3.84%
Efficiency ratio	65.60%	65.60%	57.61%
Noninterest income / average assets	0.44%	0.42%	1.17%
Noninterest expense / average assets	1.98%	1.98%	2.65%
Price / last twelve months earnings per share	21.5%	14.7%	15.6%
Price / tangible book value per share	177.9%	140.6%	278.6%

Comparable Transactions Analysis. Janney reviewed certain financial data related to six groups of comparable thrift transactions.

The first group of comparable transactions included twenty-nine acquisitions announced nationwide from January 1, 2005 to April 24, 2006, involving thrift institutions with an asset size less than \$1 billion (which we refer to as the Nationwide transactions). The second group of transactions included sixteen acquisitions of thrift institutions headquartered in Pennsylvania, Maryland, Ohio and West Virginia announced from January 1, 2004 to April 24, 2006, with an asset size less than \$1 billion (which we refer to as the PA, MD, OH & WV transactions). The third group of comparable transactions included eleven acquisitions of thrift institutions in Pennsylvania announced from January 1, 2003 to April 24, 2006 (which we refer to as All PA transactions). The fourth group of comparable transactions included ten acquisitions of thrift institutions announced from January 1, 2004 to April 24, 2006 with return on average assets between 0.50% and 0.75% and return on average equity between 6% and 10% (which we refer to as Performance Based transactions). The fifth group of comparable transactions included five acquisitions of thrift institutions headquartered in the Pittsburgh-area announced from January 1, 2003 to April 24, 2006 (which we refer to as the All Pittsburgh transactions). The sixth group of comparable transactions included twelve acquisitions of thrift and bank institutions headquartered in Western Pennsylvania announced between January 1, 2003 and April 24, 2006 (which we refer to as the Western PA Bank / Thrift transactions).

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Transaction multiples from the merger were derived from the \$28.25 deal price per share and financial data of Laurel Capital as of and for the twelve months ended December 31, 2005. Janney compared these results with announced multiples for the aforementioned transactions. The results of the analysis are summarized in the following table:

	Laurel/ First Commonwealth Transaction	Nationwide Thrift Transactions Median	PA, MD, OH, & WV Thrift Transactions Median	All PA Thrift Transactions Median	Performance Based Thrift Transactions Median	All Pittsburgh Thrift Transactions Median	Western PA Bank/ Thrift Transactions Median
Price/book	201%	168%	167%	178%	171%	162%	192%
Price/tangible book	227%	175%	171%	190%	192%	162%	206%
Price/last twelve months EPS	27.4x	22.5x	24.5x	25.4x	23.2x	25.7x	26.4x
Price/assets	18.6%	16.8%	18.2%	19.0%	15.8%	21.0%	21.8%
Tangible book premium/core deposits	14.0%	13.2%	15.2%	20.0%	15.2%	13.6%	17.9%

Discounted Dividend and Terminal Value Analysis. Janney estimated the present value of Laurel Capital's common stock by estimating the future stream of after-tax cash flows of Laurel Capital over the period beginning December 31, 2006 and ending in December 2011. Based on discussions with Laurel Capital's management, a growth rate of approximately 5% was used to project earnings. To approximate the terminal value, Janney applied price/earnings multiples ranging from 16.0x to 20.0x and multiples of tangible book value ranging from 150% to 190%. The cash flows and terminal values were then discounted to present values using discount rates ranging from 10.0% to 14.0%. The discount rates were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Laurel Capital common stock. As illustrated in the following tables, this analysis indicated an imputed range of values from \$13.83 to \$19.63 when applying the price/earnings multiples and \$13.35 to \$19.10 when applying multiples of tangible book value.

Sensitivity Analysis

(\$ per share)	Discount Rate Range	2011 Estimated Net Income Multiple				
		16.0 x	17.0 x	18.0 x	19.0 x	20.0 x
	10.0%	\$ 16.44	\$ 17.24	\$ 18.04	\$ 18.83	\$ 19.63
	11.0%	15.73	16.49	17.25	18.01	18.77
	12.0%	15.06	15.78	16.51	17.23	17.95
	13.0%	14.43	15.12	15.80	16.49	17.18
	14.0%	13.83	14.49	15.14	15.79	16.45

Sensitivity Analysis

(\$ per share)	Discount Rate Range	2011 Estimated Tangible Book Value Multiple				
		150%	160%	170%	180%	190%

	10.0%	\$ 15.86	\$ 16.67	\$ 17.48	\$ 18.29	\$ 19.10
	11.0%	15.17	15.95	16.72	17.49	18.26
	12.0%	14.53	15.27	16.00	16.73	17.47
	13.0%	13.92	14.62	15.32	16.02	16.72
	14.0%	13.35	14.01	14.68	15.35	16.01

Janney also estimated the present value of First Commonwealth's common stock by estimating the future stream of after-tax cash flows of First Commonwealth over the period beginning December 31, 2006 and ending in December 2011. Based on published earnings estimates and discussions with management, a growth rate of approximately 6% was used to project earnings. To approximate the terminal value, Janney applied price/earnings multiples ranging from 14.0x to 18.0x and multiples of tangible book value ranging from 220% to

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300%. The cash flows and terminal values were then discounted to present values using discount rates ranging from 10.0% to 14.0%. The discount rates were chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of First Commonwealth's common stock. This analysis indicated an imputed range of values from \$10.84 to \$15.58 when applying the price/earnings multiples and \$10.34 to \$15.50 when applying multiples of tangible book value.

Sensitivity Analysis

(\$ per share)	Discount Rate Range	2011 Estimated Tangible Book Value Multiple				
		14.0 x	15.0 x	16.0 x	17.0 x	18.0 x
	10.0%	\$ 12.85	\$ 13.54	\$ 14.22	\$ 14.90	\$ 15.58
	11.0%	12.31	12.96	13.61	14.25	14.90
	12.0%	11.79	12.41	13.03	13.64	14.26
	13.0%	11.30	11.89	12.48	13.07	13.66
	14.0%	10.84	11.40	11.96	12.52	13.08

Sensitivity Analysis

(\$ per share)	Discount Rate Range	2011 Estimated Tangible Book Value Multiple				
		220%	240%	260%	280%	300%
	10.0%	\$ 12.24	\$ 13.06	\$ 13.87	\$ 14.68	\$ 15.50
	11.0%	\$ 11.73	\$ 12.50	\$ 13.27	\$ 14.05	\$ 14.82
	12.0%	\$ 11.24	\$ 11.98	\$ 12.71	\$ 13.45	\$ 14.18
	13.0%	\$ 10.78	\$ 11.48	\$ 12.18	\$ 12.88	\$ 13.58
	14.0%	\$ 10.34	\$ 11.01	\$ 11.68	\$ 12.34	\$ 13.01

In connection with the discounted dividend and terminal value analysis performed, Janney considered and discussed with Laurel Capital's board how the present value analysis would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of assets, net income and the dividend payout ratio (the percentage of earnings per share payable to shareholders). Janney noted that the discounted dividend and terminal value analysis is a widely used valuation methodology, but the results are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of the actual values or expected values of Laurel Capital or First Commonwealth common stock.

Financial Impact Analysis. Janney performed a pro forma merger analysis that combined projected balance sheet and income statement information of First Commonwealth and Laurel Capital. The analysis assumed that 70% of Laurel Capital's shares were exchanged for shares of First Commonwealth common stock at an exchange ratio of 2.005 shares and that 30% of Laurel Capital's shares were exchanged for cash of \$28.25 per share. The analysis also contemplated certain purchase accounting adjustments, charges and transaction costs associated with the merger, as well as certain transaction synergies determined by the managements of First Commonwealth and Laurel Capital. The analysis assumed earnings projections consistent with internal projections as discussed with management in the case of Laurel Capital and earnings per share projections consistent with the published consensus analyst projections and discussed with management in the case of First Commonwealth. In addition, the analysis assumed that the 83,778 outstanding options to purchase Laurel Capital common stock were cashed out in amount equal to the difference between \$28.25 and the weighted average exercise price of \$14.84 per share.

The analysis indicated that the merger would be neutral to First Commonwealth's projected earnings per share for the year ended December 31, 2007, 3.2% dilutive to First Commonwealth's projected tangible book value per share at December 31, 2007 and 3.4% accretive to First

Commonwealth's projected book value per share at December 31, 2007.

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In connection with its analyses, Janney considered and discussed with Laurel Capital's board how the pro forma analyses would be affected by various changes in the underlying assumptions. Janney noted that the actual results achieved by the combined company may vary from the projected results and the variations may be material.

Laurel Capital has agreed to pay Janney a transaction fee of approximately \$631,000 in connection with the merger, of which 25% was paid upon the signing of the merger agreement, 10% was paid upon the mailing of proxy materials to Laurel Capital's shareholders and the balance of which is contingent and payable upon consummation of the merger. Laurel Capital has also agreed to reimburse certain of Janney's reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Janney and its affiliates and their respective partners, directors, officers, employees, agents and controlling persons against certain liabilities.

Janney has in the past provided certain investment banking services to First Commonwealth and has received compensation for such services and may provide, and receive compensation for, such services in the future. Furthermore, in the ordinary course of its business as a broker-dealer, Janney may, from time to time, have a long or short position in, and buy or sell, debt or equity securities of Laurel Capital or First Commonwealth for its own account or for the accounts of its customers.

Interests of Certain Directors and Executive Officers of Laurel Capital in the Merger

When considering the recommendations of the Laurel Capital board of directors, you should be aware that some of the directors, management and employees of Laurel Capital may have interests that differ from, or conflict with, your interests. The board of directors was aware of these interests when it approved the merger and the merger agreement. Except as described below, to the knowledge of Laurel Capital, the executive officers and directors of Laurel Capital do not have any material interest in the merger apart from their interests as shareholders.

Existing Employment Agreements. Each of Edwin R. Maus, President and Chief Executive Officer of Laurel Capital, and John A. Howard, Jr., Senior Vice President, Chief Financial Officer, Treasurer and Secretary of Laurel Capital, are parties to amended and restated employment agreements with Laurel Capital and Laurel Savings Bank dated February 28, 2003, as amended February 26, 2004. These agreements provided for the following severance payments and benefits in the event the executive's employment is terminated following a change in control either (a) by the employers for other than cause, disability, retirement or death, or (b) by the executive due to a material breach by the employers or for good reason as defined:

a cash severance payment equal to 2.99 times the executive's highest base salary and bonus paid by the employers in the year in which employment is terminated (determined on an annualized basis) or either of the two prior calendar years, with such amount to be paid in 36 equal monthly installments;

a monthly payment equal to the greater of \$1,500 or the aggregate premiums payable by the executive for health and disability coverage, with such payments to continue until the earlier of 36 months following termination of employment or the date the executive obtains full-time employment with another employer and is entitled to receive substantially similar benefits from such employer, and

if the severance payments or benefits under such agreements, combined with those under other plans or agreements, are subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, an additional payment to restore the executive to the after-tax position he would have been in if the excise tax had not been imposed (a gross-up payment).

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In order to induce First Commonwealth to enter into the merger agreement, and to preserve the value of Laurel Capital's customer base and goodwill to First Commonwealth following the merger, Messrs. Maus and Howard each agreed to enter into new termination and release agreements as well as new noncompetition agreements, each as described below.

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Termination and Release Agreements. Concurrently with execution of the merger agreement, each of Messrs. Maus and Howard entered into a termination and release agreement with Laurel Capital, Laurel Savings Bank and First Commonwealth. Upon completion of the merger, Messrs. Maus and Howard will each receive a lump sum cash payment equal to the present value of their change in control SERP benefits, with the present values calculated using the discount rates published by the Internal Revenue Service (the IRS) for the month in which the effective time of the merger occurs. Based on the IRS discount rates for July 2006 and assuming an August 28, 2006 effective date, the lump sum payments would be approximately \$411,000 for Mr. Maus and \$155,000 for Mr. Howard.

Mr. Maus' agreement provides that he will be employed by First Commonwealth following the completion of the merger as a Regional Manager, reporting directly to the President of First Commonwealth, at a base salary of no less than \$191,600 per year. In addition, Mr. Maus will be entitled to participate in all of the benefit plans offered by First Commonwealth and its subsidiaries to similarly-situated employees and to carry over his accrued but unused vacation days as well as sick leave earned subsequent to December 31, 2005. Mr. Maus will also be entitled to the continued use of an automobile, with First Commonwealth paying the costs for fuel, insurance, maintenance and repairs of the automobile, and with Mr. Maus having the option to purchase the automobile upon any termination of his employment at its then fair market value.

Mr. Maus' employment with First Commonwealth following the completion of the merger may be terminated by either Mr. Maus or First Commonwealth at any time upon 30 days written notice to the other party. Upon termination of such employment for any reason, Mr. Maus will be entitled to a lump sum cash payment calculated as follows:

a maximum amount of \$439,000, minus

the portion of his SERP payment deemed contingent on the merger (estimated to be approximately \$220,000 based on IRS discount rates for July 2006), minus

the present value of his continued fringe benefits as described below (estimated to be approximately \$50,000 based on IRS discount rates for July 2006), minus

applicable tax withholdings;

provided, however, that if Mr. Maus remains employed by First Commonwealth for more than 24 months following the completion of the merger, then the maximum \$439,000 cash payment shall be further reduced by a fraction, the numerator of which equals the number of full calendar weeks that he remains employed following the 24-month anniversary of the merger and the denominator of which equals 156 weeks.

Mr. Howard's employment will be terminated upon completion of the merger, at which time he will receive a lump sum cash payment calculated as follows:

a maximum amount of \$376,000, minus

the portion of his SERP payment deemed contingent on the merger (estimated to be approximately \$136,000 based on IRS discount rates for July 2006), minus

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the present value of his continued fringe benefits as described below (estimated to be approximately \$50,000 based on IRS discount rates for July 2006), minus

the portion of his vested insurance benefit under the Group Term Carve-Out Plan described below deemed contingent on the merger (estimated to be approximately \$20,000 based on IRS discount rates for July 2006), minus

applicable tax withholdings.

The termination and release agreements provide that each of Mr. Maus and Mr. Howard will receive continued health and dental coverage for a period ending upon the earlier of (a) 36 months following termination

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of their employment or (b) the date they obtain full-time employment with an employer other than First Commonwealth that entitles them to substantially similar benefits, with such coverage to be provided at the same relative cost to the executive as paid immediately prior to the effective time of the merger. In addition, upon termination of employment, each of Messrs. Maus and Howard will receive a lump sum cash payment equal to the value of his accrued but unused vacation and sick leave.

The SERP benefits and vested insurance benefits that are deemed contingent on the merger, as well as the present value of the continued fringe benefits, are estimates that are subject to change based on changes in the applicable IRS discount rates and changes in the assumed effective date of the merger. The maximum lump sum cash payments to Messrs. Maus and Howard are subject to such reductions in order to minimize the likelihood of any gross-up payment being owed to them. However, if the IRS subsequently determines that either Mr. Maus or Mr. Howard is subject to the 20% excise tax imposed by Section 4999 of the Internal Revenue Code, the termination and release agreements preserve the rights of such executives to a gross-up payment.

The termination and release agreements supersede and terminate the existing employment agreements, except for the provisions of the employment agreements that entitle Messrs. Maus and Howard to gross-up payments in the event excise taxes are owed by them.

Noncompetition Agreements. Concurrently with execution of the merger agreement, each of Mr. Maus and Mr. Howard also entered into an agreement with First Commonwealth not to compete with First Commonwealth or solicit First Commonwealth's employees or customers. Messrs. Maus and Howard will receive lump sum cash payments equal to \$460,000 and \$265,000, respectively, upon completion of the merger in consideration for not competing with First Commonwealth or its subsidiaries in banking and related activities in Allegheny, Butler or Westmoreland Counties in Pennsylvania. The noncompetition and nonsolicitation prohibitions commence on the effective date of the merger and continue (a) for Mr. Maus, during his employment with First Commonwealth and for a period of 30 months following the termination of his employment with First Commonwealth, and (b) for Mr. Howard, 24 months.

Change in Control Severance Agreement. Robert A. Stephens, the Senior Vice President and Chief Lending Officer of Laurel Savings Bank, has a change in control severance agreement that entitles him to severance payments and other benefits if his employment is terminated within two years following completion of the merger either (a) by Laurel Savings Bank or its successors for other than cause, disability, retirement or death or (b) by the executive for good reason as defined. If Mr. Stephens is not retained as the Chief Lending Officer of First Commonwealth Bank, he will have good reason under his agreement and would be entitled to the following payments and benefits:

a cash severance payment equal to two times his highest base salary and bonus in the year in which his employment is terminated (determined on an annualized basis) or either of the two prior calendar years, and

continued participation in all group insurance, life insurance, health and accident insurance, disability insurance and other employee benefit plans, programs and arrangements in which he participated immediately prior to termination of his employment (other than tax-qualified defined contribution or defined benefit plans, stock option plans or bonus plans), for a period ending upon the earlier of 12 months following the termination of his employment or the date the executive obtains full-time employment with another employer that provides him with substantially similar benefits.

If Mr. Stephens' employment is terminated in 2006, he would be entitled to receive an aggregate of approximately \$277,000 paid in 24 equal monthly installments and continued fringe benefits with a present value of approximately \$16,000. Mr. Stephens' agreement provides that if his severance payments and benefits, when combined with benefits under other plans or agreements, are subject to the excise tax imposed under Section 4999 of the Internal Revenue Code, then his cash severance will be reduced by the minimum necessary

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to ensure that such excise tax is not imposed. Because of Mr. Stephens' benefits under his SERP agreement and the Group Term Carve-Out Plan described below, it is currently anticipated that the payments to Mr. Stephens will be reduced by approximately \$2,000.

Severance Policy. In accordance with the terms of the merger agreement, any employee of Laurel Capital or Laurel Savings Bank, including Ms. Carrie A. Havas, Vice President, Internal Audit, Ms. Stacy N. Krempasky, Vice President, and Mr. William T. Puz, Vice President, whose employment is terminated within one year of the completion of the merger other than for cause will be entitled to receive severance calculated in accordance with the terms of First Commonwealth's severance policy in effect either at the time the merger agreement was executed or the time of the employee's termination, whichever will provide a greater benefit to the terminated employee. However, each of Ms. Havas and Ms. Krempasky will be entitled to a minimum severance of 26 weeks, notwithstanding the terms of the First Commonwealth severance policy. In addition, terminated employees will be entitled to receive continued health care benefits for the number of weeks of severance to which they are entitled, with the cost of such coverage being paid completely by First Commonwealth. In the event Ms. Havas, Ms. Krempasky and Mr. Puz are terminated as of the time of the completion of merger, assuming the First Commonwealth severance policy in effect as of the date the merger agreement was executed is applicable, Ms. Havas, Ms. Krempasky and Mr. Puz would be entitled to receive, on an installment basis, severance payments totaling approximately \$26,200, \$28,750, and \$35,750, respectively.

SERP Benefits. Laurel Savings Bank entered into separate SERP agreements with each of Messrs. Maus, Howard and Stephens effective as of January 1, 2004, as well as with the following three executive officers of Laurel Savings Bank: Mr. Puz, Ms. Havas and Ms. Krempasky. Each SERP agreement provides for a normal supplemental retirement benefit to be paid after the executive reaches age 70.5, with the benefit to be paid in equal monthly installments for 15 years, with a reduced early termination benefit payable following termination of employment. In addition, each SERP agreement provides that in the event of a change in control of Laurel Savings Bank, each of the above executives will receive a specified change in control SERP benefit over 15 years commencing when the executive reaches age 70.5.

Each of the SERP agreements will be amended in connection with the merger to provide that the change in control SERP benefits will be paid in a lump sum upon completion of the merger, with such amount discounted to present value using the applicable discount rates published by the IRS for the month in which the effective time of the merger occurs. Based on the IRS discount rates for July 2006 and assuming an August 28, 2006 effective date, the lump sum payments are approximately \$411,000 for Mr. Maus, \$155,000 for Mr. Howard, \$49,000 for Mr. Stephens, \$61,000 for Mr. Puz, \$6,000 for Ms. Havas and \$2,000 for Ms. Krempasky. These present value estimates are subject to change based upon changes in the applicable IRS discount rates and in the assumed effective date of the merger.

Group Term Carve-Out Plan. Laurel Savings Bank entered into a separate Group Term Carve-Out Plan with each of the six executive officers named above effective as of January 1, 2004. Each plan provides that the executive will be entitled to a vested insurance benefit from the date of vesting until death, subject to certain forfeiture provisions. Mr. Maus has a vested insurance benefit unrelated to the merger, while each of the other executives will become vested as of the effective date of the merger if they remain employed until such date.

If the executive dies prior to termination of employment, the insurance benefit is equal to two times the executive's base annual salary at the time of death. If the executive dies after his or her employment is terminated and the executive has a vested insurance benefit, then the insurance benefit is equal to the executive's base annual salary as of the July 1st immediately preceding his or her termination of employment. The current base salaries for each of the executive officers are as follows: \$191,600 for Mr. Maus, \$136,200 for Mr. Howard, \$128,800 for Mr. Stephens, \$54,100 for Mr. Puz, \$48,400 for Ms. Havas, and \$54,000 for Ms. Krempasky.

In addition, lower level officers of Laurel Savings Bank participate in similar Group Term Carve-Out Plans.

Trustee Deferred Compensation Agreements. Each non-employee director has a Trustee Deferred Compensation Agreement that was entered into effective as of January 1, 2004. Because the agreements require

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the director to have at least 25 years of service in order to receive benefits under the agreement, with no accelerated vesting in the event of a change in control, only Messrs. Cessar and Norris will receive benefits under such agreements. The benefits in the event of a change in control are an annual benefit equal to 75% of the total monthly Board retainer and meeting attendance fees (excluding special Board meetings and committee meetings) earned by the director for the 12 months ending immediately prior to the month in which the change in control occurs. The annual benefit is payable in 12 equal monthly installments for a period of five years.

The Trustee Deferred Compensation Agreements will be amended in connection with the merger to provide that any vested benefits will be paid in 12 equal monthly installments following completion of the merger. The 12 monthly payments will aggregate approximately \$92,250 for Mr. Cessar and \$74,250 for Mr. Norris.

Trustee Split Dollar Agreements. Each non-employee director has a Trustee Split Dollar Agreement which provides for a \$100,000 death benefit if he or she dies while serving Laurel Savings Bank or after retirement from the board. Each non-employee director is fully vested as to his or her benefit, and these benefits will not be affected by the merger. First Commonwealth has agreed to honor the terms of these agreements.

Advisory Board. Upon completion of the merger, First Commonwealth has agreed to appoint each of the directors of Laurel Capital to the Pittsburgh Regional Advisory Board of First Commonwealth. The Advisory Board will be maintained for a period of three years, and the members will be paid fees of \$1,000 for each Advisory Board meeting attended. In addition, for a period of 36 months, each member of Laurel Capital's board who is not an employee or officer of Laurel Capital will be paid \$1,650 per month (except for the chairman, who will receive \$2,050 per month) for providing such advisory services as First Commonwealth may reasonably request with respect to the integration of the operations of Laurel Savings Bank with and into those of First Commonwealth Bank and with respect to the operations of First Commonwealth Bank in the Pittsburgh region generally.

Laurel Capital Stock Options. As of May 31, 2006, Laurel Capital's directors and executive officers held vested stock options to purchase an aggregate of 71,809 shares of common stock under Laurel Capital's stock option plans. Each director and executive officer will receive payment for their stock options as described earlier in this proxy statement/prospectus. The aggregate value of the payout for these stock options will be approximately \$975,000.

Protection of Directors, Officers and Employees Against Claims. In the merger agreement, First Commonwealth has agreed to indemnify the directors, officers and employees of Laurel Capital and Laurel Savings Bank after the completion of the merger to the fullest extent permitted under Pennsylvania law and the current articles of incorporation and bylaws of Laurel Capital and Laurel Savings Bank. First Commonwealth also has agreed to maintain, for a period of at least three years after the effective time of the merger, the current directors' and officers' liability insurance policies of Laurel Capital and Laurel Savings Bank, or equivalent substitute policies, provided that the annual premiums for such insurance coverage do not exceed 150% of the current annual premiums.

Material Federal Income Tax Consequences

The following discussion addresses the material United States federal income tax consequences of the merger to a Laurel Capital shareholder who holds shares of Laurel Capital stock as a capital asset. This discussion is based upon the Internal Revenue Code of 1986, as amended, Treasury regulations promulgated under the Internal Revenue Code, judicial authorities, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this discussion and all of which are subject to change and to differing interpretations. This discussion does not address all aspects of United States federal income taxation that may be relevant to Laurel Capital shareholders in light of their particular circumstances and does not address aspects of United States federal income taxation that may be applicable to Laurel Capital

shareholders subject to special treatment under the Internal Revenue Code (including banks, tax-exempt

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organizations, insurance companies, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, investors in pass-through entities, Laurel Capital shareholders who hold their shares of Laurel Capital stock as part of a hedge, straddle or conversion transaction, Laurel Capital shareholders who acquired their shares of Laurel Capital stock pursuant to the exercise of employee stock options or otherwise as compensation, and holders who are not United States persons). In addition, the discussion does not address any aspect of state, local or foreign taxation. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

Laurel Capital shareholders are urged to consult their tax advisors with respect to the particular United States federal, state, local and foreign tax consequences of the merger to them.

The closing of the merger is conditioned upon the receipt by Laurel Capital of the opinion of Elias Matz Tiernan & Herrick L.L.P., counsel to Laurel Capital, and the receipt by First Commonwealth of the opinion of Sherman & Howard L.L.C., counsel to First Commonwealth, each dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in those opinions (including factual representations contained in certificates of officers of Laurel Capital and First Commonwealth) which are consistent with the state of facts existing as of the effective date of the merger, the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The tax opinions to be delivered in connection with the merger are not binding on the IRS or the courts, and neither Laurel Capital nor First Commonwealth intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to any of those set forth below. In addition, if any of the facts, representations or assumptions upon which such opinions are based are inconsistent with the actual facts, the United States federal income tax consequences of the merger could be adversely affected.

Assuming that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the discussion below sets forth the opinions of Sherman & Howard L.L.C. and Elias Matz Tiernan & Herrick L.L.P. as to the material United States federal income tax consequences of the merger to Laurel Capital shareholders. Such consequences generally will depend on whether Laurel Capital shareholders exchange their Laurel Capital stock for cash, First Commonwealth stock or a combination of cash and First Commonwealth stock.

Exchange Solely for Cash. In general, if a Laurel Capital shareholder exchanges all of his or her shares of Laurel Capital stock actually owned by him or her solely for cash pursuant to the merger, such holder will recognize gain or loss equal to the difference between the amount of cash received and his or her adjusted tax basis in the shares of Laurel Capital stock surrendered, which gain or loss generally will be long-term capital gain or loss if the shareholder's holding period with respect to the Laurel Capital stock surrendered is more than one year. However, if a Laurel Capital shareholder exchanges all of his or her shares of Laurel Capital stock actually owned by him or her solely for cash and also constructively owns shares of Laurel Capital stock that are exchanged for shares of First Commonwealth stock in the merger or owns shares of First Commonwealth stock actually or constructively after the merger, the consequences to such holder may be similar to the consequences described below under the heading ***Exchange for First Commonwealth Common Stock and Cash***, except that the amount of consideration, if any, treated as a dividend may not be limited to the amount of such holder's gain.

Exchange for First Commonwealth Common Stock. If a Laurel Capital shareholder exchanges all of his or her shares of Laurel Capital stock actually owned by him or her solely for shares of First Commonwealth stock pursuant to the merger, such holder will not recognize any gain or loss except in respect of cash received in lieu of any fractional share of First Commonwealth stock (as discussed below). The aggregate adjusted tax basis of the shares of First Commonwealth stock received in the merger will be equal to the aggregate adjusted tax basis of the shares of Laurel Capital stock surrendered for the First Commonwealth stock (reduced by the tax basis allocable to any fractional share of First Commonwealth stock for which cash is received), and the holding period

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of the First Commonwealth stock will include the period during which the shares of Laurel Capital stock were held by the Laurel Capital shareholder. If a Laurel Capital shareholder has differing bases or holding periods in respect of his or her shares of Laurel Capital stock, such shareholder should consult his or her tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of First Commonwealth stock received in the exchange.

Exchange for First Commonwealth Common Stock and Cash. If a Laurel Capital shareholder exchanges all of his or her shares of Laurel Capital stock actually owned by him or her for a combination of First Commonwealth stock and cash pursuant to the merger, such shareholder generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the First Commonwealth stock received pursuant to the merger over such shareholder's adjusted tax basis in the shares of Laurel Capital stock surrendered) and (2) the amount of cash received pursuant to the merger. For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and loss realized on one block of shares may not be used to offset gain realized on another block of shares. Any recognized gain generally will be long-term capital gain if the Laurel Capital shareholder's holding period with respect to the Laurel Capital stock surrendered is more than one year. However, if the cash received has the effect of the distribution of a dividend, the gain would be treated as a dividend to the extent of the Laurel Capital shareholder's ratable share of accumulated earnings and profits as calculated for United States federal income tax purposes. See Possible Treatment of Cash as a Dividend below.

The aggregate tax basis of First Commonwealth stock received by a Laurel Capital shareholder that exchanges his or her shares of Laurel Capital stock for a combination of First Commonwealth stock and cash pursuant to the merger will be equal to the aggregate adjusted tax basis of the shares of Laurel Capital stock surrendered for First Commonwealth stock and cash, reduced by the amount of cash received by the Laurel Capital shareholder pursuant to the merger, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, recognized by the Laurel Capital shareholder on the exchange. The holding period of the First Commonwealth stock will include the holding period of the shares of Laurel Capital stock surrendered. If a Laurel Capital shareholder has differing bases or holding periods in respect of his or her shares of Laurel Capital stock, such shareholder should consult his or her tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of First Commonwealth stock received in the exchange.

Possible Treatment of Cash as a Dividend. In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces the Laurel Capital shareholder's deemed percentage stock ownership of First Commonwealth. For purposes of this determination, Laurel Capital shareholders will be treated as if they first exchanged all of their shares of Laurel Capital stock solely for First Commonwealth stock and then First Commonwealth immediately redeemed (the deemed redemption) a portion of such First Commonwealth stock in exchange for the cash actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if (1) the deemed redemption is substantially disproportionate with respect to the Laurel Capital shareholder (and the shareholder actually or constructively owns after the deemed redemption less than 50% of voting power of the outstanding First Commonwealth stock) or (2) the deemed redemption is not essentially equivalent to a dividend.

The deemed redemption generally will be substantially disproportionate with respect to a Laurel Capital shareholder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a Laurel Capital shareholder will depend upon the shareholder's particular circumstances. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must generally result in a meaningful reduction in the shareholder's deemed percentage stock ownership of First Commonwealth. In general, such determination requires a comparison of (1) the percentage of the outstanding stock of First Commonwealth that

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the shareholder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of First Commonwealth that is actually and constructively owned by the shareholder immediately after the deemed redemption. In applying the above tests, a Laurel Capital shareholder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or otherwise in addition to the stock actually owned by the shareholder. As these rules are complex and dependent upon a Laurel Capital shareholder's specific circumstances, each shareholder that may be subject to these rules should consult his or her tax advisor. The IRS has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction if such shareholder has a relatively minor reduction in such shareholder's percentage stock ownership under the above analysis.

Currently, dividends and long term capital gains are taxed at the same 15% rate, although it is not clear that the 15% rate would apply to the type of dividend described above. If the 15% rate does not apply, the dividend would be taxable at ordinary income tax rates.

Cash Received in Lieu of a Fractional Share. Cash received by a Laurel Capital shareholder in lieu of a fractional share of First Commonwealth stock generally will be treated as received in redemption of the fractional share, and gain or loss generally will be recognized based on the difference between the amount of cash received in lieu of the fractional share and the portion of the shareholder's aggregate adjusted tax basis of the shares of Laurel Capital stock surrendered that is allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of Laurel Capital stock is more than one year.

Backup Withholding. If a Laurel Capital shareholder receives cash in exchange for surrendering shares of Laurel Capital stock, the shareholder may be subject to backup withholding at a rate of 28% if the shareholder is a non-corporate United States person and (i) fails to provide an accurate taxpayer identification number; (ii) is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns, or (iii) in certain circumstances, fails to comply with applicable certification requirements. Amounts withheld under the backup withholding rules will be allowed as a refund or credit against a shareholder's United States federal income tax liability provided that the shareholder furnishes the required information to the IRS.

The foregoing discussion is not intended to be a complete analysis or description of all potential United States federal income tax consequences of the merger. In addition, the discussion does not address tax consequences that may vary with, or are contingent on, a Laurel Capital shareholder's individual circumstances. Moreover, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the merger. Accordingly, Laurel Capital shareholders are urged to consult with their tax advisors to determine the particular United States federal, state, local and foreign income and other tax consequences to them of the merger.

Treatment of Laurel Capital Options in the Merger

Each outstanding option to purchase Laurel Capital stock will be cancelled upon the effective date of the merger, and the holders of outstanding stock options will be entitled to receive cash per share underlying such option equal to the excess of \$28.25 over the exercise price for each share subject to such outstanding option, less any applicable withholding taxes. Any cash consideration to be paid by Laurel Capital for cancellation of stock options will be counted toward the total cash amount that First Commonwealth will be required to pay in connection with the merger.

Accounting Treatment of the Merger

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First Commonwealth will account for the merger as a purchase, as that term is used under generally accepted accounting principles, or GAAP, for accounting and financial reporting purposes. Under the purchase method of accounting, the assets and liabilities of Laurel Capital will be recorded on First Commonwealth's

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consolidated balance sheet at their estimated fair value at the effective date of the merger. The amount by which the purchase price paid by First Commonwealth exceeds the fair value of the net tangible and identifiable intangible assets acquired by First Commonwealth through the merger will be recorded as goodwill. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill resulting from the merger will not be amortized to expense but will be reviewed for impairment at least annually. To the extent that goodwill is impaired, its current value will be written down to its implied fair value and a charge will be made to earnings. Core deposit and other intangibles with definite useful lives recorded in connection with the merger will be amortized to expense in accordance with GAAP. Financial statements of First Commonwealth issued after the effective date of the merger will reflect these values and will not be restated retroactively to reflect the historical position or results of operations of Laurel Capital. Results of operations of Laurel Capital after the date of the merger will be included in First Commonwealth's consolidated income statement.

New York Stock Exchange Listing

First Commonwealth intends to apply to list the shares of First Commonwealth stock to be issued in the merger on the New York Stock Exchange. The stock must be authorized for listing on the NYSE for the merger to be completed.

THE MERGER AGREEMENT

Representations and Warranties in the Merger Agreement

The merger agreement contains customary reciprocal representations and warranties of First Commonwealth and Laurel Capital as to, among other things,

their corporate organization and existence and that of their subsidiaries;

their capitalization and that of their subsidiaries;

their corporate power and authority to execute the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement;

the compliance of the merger agreement with their articles of incorporation and bylaws, applicable law and identified material agreements;

governmental and third-party approvals required to complete the merger;

their financial statements and filings with the Securities and Exchange Commission;

the timely filing of required regulatory reports and compliance of such reports with applicable law;

the absence of identified changes since the end of their most recent fiscal year;

their broker's fees;

the accuracy of information provided for inclusion in this proxy statement/prospectus and the applications to obtain regulatory approvals;

the absence of undisclosed liabilities; and

the accuracy of documents, statements or certificates furnished pursuant to the transactions contemplated by the merger agreement.

In addition, the merger agreement contains further customary representations and warranties of Laurel Capital as to, among other things,

its compliance with applicable laws;

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the filing and accuracy of its tax returns;

the validity and enforceability of, and the absence of material defaults under, material contracts;

the absence of legal proceedings and injunctions;

its tangible properties and assets;

its intellectual property;

the adequacy of its insurance;

its employee benefit plans and related matters;

the absence of environmental liabilities;

the adequacy of its allowance for loan losses; and

the disclosure and nature of related party transactions.

You are cautioned not to place undue reliance on these representations and warranties. They have been made by the parties to the merger agreement solely for the benefit of the other party and may be subject to important qualifications, exceptions and limitations agreed to by the contracting parties or may have been qualified or superseded by disclosures contained in separate schedules or exhibits not filed with or incorporated by reference in this proxy statement/prospectus. The representations and warranties in the merger agreement may reflect the parties negotiated risk allocation in the particular transaction rather than facts, may not be true as of the date of this proxy statement/prospectus, and are subject to amendments, changes or waivers by the parties.

Conduct of Business Before the Merger

Laurel Capital has agreed that it will not do or permit any of its subsidiaries to do any of the following without the prior consent of First Commonwealth until the merger is completed:

amend its articles of incorporation or bylaws;

repurchase or redeem any of its equity securities, effect a stock split or declare a stock dividend on its common stock, transfer any interest in any of its subsidiaries, or pay or declare a cash dividend (except for regular quarterly dividends in an amount consistent with past practice and not exceeding \$0.20 per share);

issue any additional shares of common stock or any other capital stock of Laurel Capital or its subsidiaries or any option or other right to acquire any such stock, other than pursuant to the exercise of outstanding stock options;

acquire direct or indirect control over any corporation or other entity;

incur any additional debt obligation or other obligation for borrowed money, except for obligations incurred in the ordinary course of business pursuant to existing company contracts;

pay any bonus, enter into any severance agreement or increase the compensation or benefits to any of its employees, provided, however, that Laurel Capital is permitted to continue to accrue amounts for the remainder of fiscal 2006 to pay bonuses consistent with Laurel Capital's past practice;

hire a new employee with an annual compensation in excess of \$50,000;

adopt any new employee benefit plan or terminate or make any material change to any existing employee benefit plan, except that it will be permitted to terminate its supplemental executive retirement plans, its trustee deferred compensation plans and its deferred compensation plan;

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enter into new service contracts or make capital expenditures involving expenses in excess of \$15,000;

make any capital expenditure except individual expenditures of less than \$15,000 and aggregate expenditures of less than \$60,000 made in the ordinary course of business;

cancel, release or assign any indebtedness of any person to Laurel Capital or any subsidiary of Laurel Capital, other than in the ordinary course of business and other than pursuant to contracts or agreements in force at the date of the merger agreement;

amend, renew or terminate specified material contracts or employment agreements or enter into new material contracts;

settle any claim, action or proceeding involving any liability of Laurel Capital for money damages in excess of \$25,000 or agree in connection with any settlement to restrictions upon the operations of Laurel Capital or any subsidiary of Laurel Capital;

change its method of accounting in effect at June 30, 2005, except as required by changes in generally accepted accounting principles or as required by regulatory accounting principles or regulatory requirements;

enter into any new line of business or discontinue any existing line of business not in the ordinary course of business;

extend, renew or modify any loan or other extension of credit except in the ordinary course of business and in individual loan amounts of less than \$500,000 and aggregate amounts of \$1,000,000 per borrower;

enter into derivatives contracts or hedging transactions;

purchase investment securities or make any deposits other than in the ordinary course of business;

extend credit to any officer, director or significant shareholder of Laurel Capital in excess of 2% of the capital of Laurel Savings Bank;

terminate, amend, enter into or renew any real property lease or open or close any office, other than in the ordinary course of business;

settle or compromise any material tax liability;

enter into any material transactions outside the ordinary course of business; or

authorize or agree to take any of the foregoing actions.

In addition, Laurel Capital and First Commonwealth have each agreed not to take or permit any of their subsidiaries to take any action that could reasonably be expected to result in the nonfulfillment of any conditions to the completion of the merger, jeopardize or materially delay the receipt of any required regulatory approval or prevent the merger from qualifying as a tax free reorganization.

Other Agreements of First Commonwealth and Laurel Capital

Agreement Not to Solicit Other Proposals

Laurel Capital has agreed not to solicit, initiate or encourage any acquisition proposal or engage in negotiations or disclose nonpublic information to any person who has made or may be considering an acquisition proposal. An acquisition proposal means any tender offer, agreement, understanding or other proposal of any nature pursuant to which any third party would directly or indirectly acquire substantially all of the assets or a majority of the outstanding voting securities of Laurel Capital or Laurel Savings Bank. However, the board of directors of Laurel Capital may furnish nonpublic information to or negotiate with any person in connection with an unsolicited acquisition proposal if the board determines in good faith that such action is required to comply

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with its fiduciary duties to the Laurel Capital shareholders, and the board concludes that the terms of the acquisition proposal are superior to those of the merger with First Commonwealth.

Laurel Capital must notify First Commonwealth of the receipt of any acquisition proposal or any request for nonpublic information relating to Laurel Capital and keep First Commonwealth fully informed concerning the status and details of any such acquisition proposal or request. Laurel Capital may not take any action with respect to the acquisition proposal for a period of three business days after notifying First Commonwealth of the proposal and will provide an opportunity for First Commonwealth to propose any changes to the terms and conditions of the merger agreement that would enable Laurel Capital's board of directors to proceed with the merger.

Employee Matters

Each person who is an employee of Laurel Capital or Laurel Savings Bank as of the closing of the merger will become an at-will employee of First Commonwealth or First Commonwealth Bank, as the case may be. Each continuing employee will be entitled to participate in the same benefit plans as are generally available to employees of First Commonwealth or First Commonwealth Bank of similar rank and status, and will be credited with prior years of service with Laurel Capital and Laurel Savings Bank for purposes of determining eligibility, vesting, benefit accrual (other than accrual of benefits under any qualified benefit plan maintained by First Commonwealth) and the level of benefits. In addition, First Commonwealth and First Commonwealth Bank will, from and after the effective time of the merger:

give service credit to each continuing employee with respect to the satisfaction of any limitations as to pre-existing condition exclusions, evidence of insurability requirements and waiting periods for participation and coverage that are applicable under the comparable employee welfare benefit plans of First Commonwealth or First Commonwealth Bank equal to the credit that such employee had received as of the effective time of the merger toward the satisfaction of any such limitations and waiting periods under the corresponding plans of Laurel Capital or any subsidiary of Laurel Capital;

waive pre-existing condition limitations to the same extent waived under the corresponding benefit plan of Laurel Capital or Laurel Savings Bank;

honor the terms of specified severance, employment, change in control, deferred compensation agreements and insurance agreements; and

provide severance and other benefits to any employee of Laurel Capital or any subsidiary of Laurel Capital whose employment is terminated within one year following the merger in accordance with the terms and conditions of First Commonwealth's general severance policy.

Indemnification of Laurel Capital Officers and Directors

First Commonwealth will indemnify each director, officer, employee and agent of Laurel Capital and its subsidiaries and maintain a policy of directors' and officers' liability insurance coverage for their benefit for three years following consummation of the merger. See "The Merger - Interests of Certain Directors and Executive Officers of Laurel Capital in the Merger" on page 37.

Other Covenants

The merger agreement requires the parties to take a number of actions before the consummation of the merger, including the following:

Laurel Capital and First Commonwealth will give each other access during normal business hours to their respective property, books, records and personnel and furnish all information either party may reasonably request.

Laurel Capital will deliver its financial statements to First Commonwealth after the end of each fiscal quarter.

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Laurel Capital and First Commonwealth will coordinate with respect to the declaration of dividends with respect to Laurel Capital stock and First Commonwealth stock.

Prior to completion of the merger, First Commonwealth will apply to the New York Stock Exchange to list the additional shares of First Commonwealth stock that First Commonwealth will issue in exchange for shares of Laurel Capital stock.

At the request of First Commonwealth, Laurel Capital will establish such additional accruals and reserves as may be necessary to conform Laurel Capital's accounting and credit loss reserve practices and methods to those of First Commonwealth.

Laurel Capital will cause each director, executive officer and 10% shareholder to deliver to First Commonwealth a letter to the effect that such person will comply with the securities laws in disposing of shares of First Commonwealth stock received in the merger.

Laurel Capital and First Commonwealth will cause the disposition of Laurel Capital equity securities or acquisitions of First Commonwealth equity securities in connection with the merger by each officer or director of First Commonwealth or Laurel Capital who is subject to Section 16 of the Securities Exchange Act of 1934 to be exempt from liability under Section 16(b) of the Exchange Act.

The members of Laurel Capital's board of directors will be appointed to the Pittsburgh regional advisory board of First Commonwealth Bank for a term of at least three years and will be paid fees for the performance of certain consulting services. See "The Merger - Interests of Certain Directors and Executive Officers of Laurel Capital in the Merger" on page 38.

First Commonwealth and Laurel Capital will use their reasonable efforts to submit all necessary applications, notices, and other filings with any governmental entity, the approval of which is required to complete the merger and related transactions.

First Commonwealth and Laurel Capital will use reasonable efforts to take all actions necessary to consummate the merger and the transactions contemplated by the merger agreement.

Laurel Capital and First Commonwealth will consult with each other regarding any public statements about the merger and any filings with any governmental entity or with any national securities exchange or market.

Laurel Capital will take all actions necessary to convene a meeting of its shareholders to vote on the merger agreement. The Laurel Capital board of directors will recommend at the shareholders' meeting that the Laurel Capital shareholders vote to approve the merger and will use its reasonable efforts to solicit shareholder approval, unless it determines that such actions would not comply with its fiduciary obligations to Laurel Capital shareholders.

Laurel Capital and First Commonwealth will use reasonable efforts to cause the merger to qualify as a tax-free reorganization under the Internal Revenue Code.

Laurel Capital will notify First Commonwealth of any event necessary to amend or supplement the representations and warranties so that the representations and warranties and schedules remain true and correct through the effective time of the merger.

Conditions to Completing the Merger

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The respective obligations of First Commonwealth and Laurel Capital to complete the merger are subject to a number of conditions, each of which must have been fulfilled or waived by the other party prior to the completion of the merger. These conditions include the following:

Conditions to the Obligations of Laurel Capital

First Commonwealth's representations and warranties must be true and correct in all material respects as of April 27, 2006 and as of the closing date (except as to those representations and warranties that speak

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as of another date), unless such failure does not have or is not reasonably likely to have a material adverse effect.

First Commonwealth must have performed and complied in all material respects with its obligations under the merger agreement.

Laurel Capital must have received an opinion of its legal counsel that the merger will be treated as a transaction of a type that is generally tax-free for U.S. federal corporate income tax purposes.

Conditions to the Obligations of First Commonwealth

Laurel Capital's representations and warranties must be true and correct in all material respects as of April 27, 2006 and as of the closing date (except as to those representations and warranties that speak as of another date), unless such failure does not have or is not reasonably likely to have a material adverse effect.

Laurel Capital must have performed and complied in all material respects with its obligations under the merger agreement.

Laurel Capital must have given all material notices and obtained all material consents from third parties in connection with the merger.

Holders of not more than 10% of the total number of outstanding shares of Laurel Capital stock shall have executed dissenters rights.

Each director and executive officer of Laurel Capital and its subsidiaries must have resigned from office.

First Commonwealth must have received an opinion of its legal counsel that the merger will be treated as a transaction of a type that is generally tax-free for U.S. federal corporate income tax purposes.

Conditions to the Obligations of Both Parties

Neither First Commonwealth nor Laurel Capital may be subject to any legal order that restrains or prohibits the consummation of any part of the merger or seeks material damages or other relief in connection with the merger.

The parties must receive all required governmental and regulatory approvals and all applicable waiting periods must have expired.

The registration statement, of which this proxy statement/prospectus is a part, must have been declared effective by the Securities and Exchange Commission.

The Laurel Capital shareholders must approve the merger.

The shares of First Commonwealth to be issued in the merger must have been approved for listing on the New York Stock Exchange.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the completion of the merger, either before or after approval of the merger agreement by Laurel Capital shareholders, as follows:

by either party upon mutual written consent;

by either party upon denial of any required regulatory approval or approval is conditioned upon a substantial deviation from the contemplated transaction;

by either party if the merger is not consummated by January 31, 2007 (subject to extension to March 31, 2007 in some circumstances);

by either party if the Laurel Capital shareholders do not approve the merger agreement and the merger;

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by First Commonwealth if the board of directors of Laurel Capital approves or recommends or enters into any agreement with respect to any other acquisition proposal, or withdraws, modifies or qualifies its recommendation of the merger agreement or the merger in a manner adverse to the interests of First Commonwealth;

by First Commonwealth if Laurel Capital breaches any representation, warranty or covenant under the merger agreement, if the breach would result in the nonfulfillment of any of the conditions to First Commonwealth's obligation to complete the merger and the breach is incapable of being cured or, if capable of being cured, remains uncured for more than 15 days after notice of the breach has been given;

by Laurel Capital if First Commonwealth breaches any representation, warranty or covenant under the merger agreement, if the breach would result in the nonfulfillment of any of the conditions to Laurel Capital's obligation to complete the merger and the breach is incapable of being cured or, if capable of being cured, remains uncured for more than 15 days after notice of the breach has been given; or

by Laurel Capital if it has received a superior acquisition proposal in compliance with the merger agreement and the board of directors of Laurel Capital determines in good faith that it must terminate the merger agreement to fulfill its fiduciary duties to the Laurel Capital shareholders.

Termination Fee

Laurel Capital would be required to pay First Commonwealth a termination fee of approximately \$2.26 million under specified circumstances. The termination fee is payable as follows:

upon termination of the merger agreement by First Commonwealth because the board of directors of Laurel Capital has recommended an alternative acquisition proposal or modified or withdrawn its recommendation for the merger with First Commonwealth;

upon termination of the merger agreement by Laurel Capital because the board of directors of Laurel Capital has determined that it must terminate the merger agreement to comply with its fiduciary duties after receiving a superior acquisition proposal; or

if either party terminates the merger agreement because the shareholders of Laurel Capital did not approve the merger agreement and the merger, an alternative acquisition proposal was pending at the time of the special meeting, and a third party acquires Laurel Capital within 12 months after the date of the special meeting.

The termination fee is intended to increase the likelihood that the merger will be consummated according to the terms set forth in the merger agreement and may be expected to discourage competing offers to acquire Laurel Capital from other parties, because the termination fee could increase the cost of acquiring Laurel Capital. To our knowledge, no event that would permit First Commonwealth to demand payment of the termination fee has occurred as of the date of this proxy statement/prospectus.

Regulatory Approvals for the Mergers

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The merger of Laurel Capital with First Commonwealth is subject to the prior approval of the Pennsylvania Department of Banking under the Pennsylvania Banking Code of 1965, as amended, and to the prior approval or waiver of prior approval by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended. The merger of Laurel Savings Bank with First Commonwealth Bank is subject to prior approval of the Federal Deposit Insurance Corporation under the Bank Merger Act and the Pennsylvania Department of Banking under the Pennsylvania Banking Code.

Federal Reserve Board. A merger of two bank holding companies generally requires the prior approval of the Federal Reserve Board under the Bank Holding Company Act. However, the parties expect that the merger

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will qualify for the exemption from the requirement of prior Federal Reserve Board approval by virtue of a waiver procedure contained in regulations of the Federal Reserve Board that is available for certain acquisitions that are also subject to the Bank Merger Act and that meet certain other conditions all of which the parties believe are satisfied in this case. The exemption procedure expressly provides, however, that it may be withheld in individual cases by the appropriate Federal Reserve Bank, and in the event First Commonwealth is informed by the Federal Reserve Bank of Cleveland that an application for prior approval of the merger by the Federal Reserve Board is required, such application will be filed. In such event, the merger will be reviewed under statutory criteria similar to those, referred to below, applicable to the bank merger.

Federal Deposit Insurance Corporation. In reviewing applications under the Bank Merger Act, the FDIC must consider, among other factors, the financial and managerial resources and future prospects of the existing and resulting institutions, the convenience and needs of the communities to be served, and the record of performance under the Community Reinvestment Act of both First Commonwealth Bank and Laurel Savings Bank in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by each institution. In addition, the FDIC may not approve a transaction if it will result in a monopoly or otherwise be anti-competitive.

Pennsylvania Department of Banking. In determining whether to approve the application for the merger and the bank merger, the Pennsylvania Department of Banking will consider, among other factors, whether the mergers would be consistent with the public interest, the needs and convenience of the geographic market, and adequate and sound banking. The Department will also consider whether the merger would result in concentration of assets beyond limits consistent with effective competition.

The merger cannot proceed unless and until the parties have obtained the requisite regulatory approvals. The parties have submitted applications and notices for the regulatory approves described above. However, there can be no assurance that the requisite regulatory approvals will be obtained, and if obtained, there can be no assurance as to the date of any approval.

Resale of First Commonwealth Stock

The shares of First Commonwealth stock to be issued to shareholders of Laurel Capital in the merger have been registered under the Securities Act of 1933. Shares of First Commonwealth stock issued in the merger may be traded freely and without restriction by those shareholders not deemed to be affiliates of Laurel Capital, as that term is defined in the rules under the Securities Act. First Commonwealth stock received by those shareholders of Laurel Capital who may be deemed to be affiliates of Laurel Capital at the time the merger is submitted for vote of the shareholders of Laurel Capital may be resold without registration under the Securities Act in compliance with Rule 145 under the Securities Act, which permits limited sales under certain circumstances, or pursuant to another exemption from registration. An affiliate of Laurel Capital is an individual or entity that controls, is controlled by or is under common control with Laurel Capital, and generally includes the executive officers, directors and 10% shareholders of Laurel Capital. The same restrictions apply to certain relatives or the spouse of those persons and any trusts, estates, corporations or other entities in which those persons have a 10% or greater beneficial interest.

Laurel Capital has agreed in the merger agreement to cause each person who is an affiliate of Laurel Capital for purposes of Rule 145 under the Securities Act to deliver to First Commonwealth a written agreement intended to ensure compliance with the Securities Act. Such agreements have been delivered to First Commonwealth.

Expenses

Each of First Commonwealth and Laurel Capital will pay its own costs and expenses incurred in connection with the merger.

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Amendment and Waiver

The merger agreement may be amended at any time prior to the completion of the merger by a written instrument signed by all of the parties. In addition, either First Commonwealth or Laurel Capital may waive any default, misrepresentation or breach of a warranty or covenant contained in the merger agreement, so long as the waiver is set forth in a writing and signed by the party against whom such waiver is asserted.

DESCRIPTION OF FIRST COMMONWEALTH CAPITAL STOCK

In the merger, Laurel Capital shareholders will exchange their shares of Laurel Capital common stock for shares of First Commonwealth common stock or for cash. The following is a summary of the material features of First Commonwealth's capital stock.

Capitalization

The authorized capital stock of First Commonwealth consists of 100,000,000 shares of common stock, \$1.00 par value, of which 71,978,568 shares were issued, 70,592,913 shares were outstanding and 1,385,655 shares were held in treasury as of March 31, 2006, and 3,000,000 shares of preferred stock, \$1.00 par value, of which no shares are issued or outstanding.

Common Stock

Each share of First Commonwealth common stock has the same relative rights as, and is identical in all respects to, each other share of First Commonwealth common stock. Holders of First Commonwealth common stock are entitled to one vote per share on all matters requiring shareholder action, including but not limited to, the election of directors. Holders of First Commonwealth common stock are not entitled to cumulate their votes for the election of directors.

The holders of First Commonwealth common stock are entitled to receive dividends out of funds legally available for distribution as and when declared by the board of directors of First Commonwealth, subject to any restrictions imposed by federal regulators and the payment of any preferential amounts to which any class of preferred stock may be entitled. Upon liquidation, dissolution or winding up of First Commonwealth, holders of First Commonwealth common stock will be entitled to share ratably all assets remaining after the payment of liabilities of First Commonwealth and of preferential amounts to which any preferred stock may be entitled.

The holders of First Commonwealth common stock have no preemptive or other subscription rights. First Commonwealth common stock is not subject to call or redemption, and, upon receipt by First Commonwealth of the full purchase price therefor, each share of First Commonwealth common stock will be fully paid and non-assessable.

Preferred Stock

First Commonwealth's articles of incorporation currently authorize it to issue up to 3,000,000 shares of preferred stock. The board of directors has broad authority to designate and establish the terms of one or more series of preferred stock. Among other matters, the board is authorized to establish rights, preferences and privileges of each such series and any restrictions thereon. First Commonwealth preferred stock may rank prior to First Commonwealth common stock as to dividend rights, liquidation preferences, or both, may have full or limited voting rights, and may be convertible into First Commonwealth common stock or other securities of First Commonwealth. The holders of any class or series of First Commonwealth preferred stock also may have the right to vote separately as a class or series under the terms of the class or series as hereafter fixed by the board or otherwise required by Pennsylvania law.

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COMPARISON OF RIGHTS OF SHAREHOLDERS

If we complete the transaction, shareholders of Laurel Capital who receive shares of First Commonwealth stock will become shareholders of First Commonwealth, and their rights as shareholders will be determined by the Pennsylvania Business Corporation Law of 1988, and by First Commonwealth's articles of incorporation and bylaws. The following is a summary of material differences between the rights of holders of First Commonwealth common stock and the rights of holders of Laurel Capital common stock. These differences arise from various provisions of the articles of incorporation and bylaws of First Commonwealth and the articles of incorporation and bylaws of Laurel Capital.

Authorized and Issued Capital

First Commonwealth is authorized to issue up to 100,000,000 shares of common stock and 3,000,000 shares of preferred stock. As of March 31, 2006, there were 70,592,913 shares of First Commonwealth common stock outstanding, 1,385,655 shares held in treasury, and 1,941,413 shares issuable upon exercise of outstanding options.

Laurel Capital is authorized to issue up to 5,000,000 shares of common stock and 1,000,000 shares of preferred stock. As of March 31, 2006, there were 1,991,177 shares of Laurel Capital common stock outstanding, 524,670 shares held in treasury and 83,778 shares issuable upon exercise of outstanding options.

Neither corporation has issued any shares of preferred stock.

Board of Directors

The board of directors of First Commonwealth currently has twelve directors, divided into three classes each of which is elected for a term of three years. The bylaws of First Commonwealth provide that the board will consist of between three and 25 directors. Persons nominated for election to the board of directors must own at least 15,000 shares of First Commonwealth stock, and directors elected after December 31, 2001 who have never served as directors before that date may not stand for re-election after reaching age 70.

The board of directors of Laurel Capital currently consists of five directors, divided into three classes each of which is elected for a term of three years. The bylaws of Laurel Capital provide that the board will consist of no less than five directors nor more than 15 directors. Directors of Laurel Capital may not stand for reelection to the Board after attaining the age of 72, subject to certain exceptions. The articles of incorporation and bylaws of Laurel Capital do not impose any stock ownership requirement with members of the board of directors.

Removal of Directors

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The Pennsylvania corporate statute provides that directors may be removed for cause by the affirmative vote of holders of a majority of the shares entitled to vote at the election of directors.

Laurel Capital's articles of incorporation provide that directors may be removed from office with or without cause by the affirmative vote of holders of at least a majority of the outstanding shares of Laurel Capital stock entitled to vote in the election of directors at a meeting of shareholders called expressly for that purpose.

Nomination of Directors

Shareholders of Laurel Capital and First Commonwealth are required to submit to their respective companies, in writing and in advance, any nomination of a candidate for election as a director.

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First Commonwealth's bylaws provide that the board of directors will consider any nomination that is submitted not less than 120 days prior to the anniversary date of First Commonwealth's proxy statement for the immediately preceding annual meeting.

Laurel Capital's bylaws provide that its shareholders may nominate a candidate for election to the board of directors by written notice received at least 60 days prior to the anniversary date of the immediately preceding annual meeting.

Indemnification

First Commonwealth's bylaws require First Commonwealth to indemnify each director and officer of First Commonwealth against expenses and any liability incurred in connection with any actual or threatened proceeding to which the person is involved by reason of such person's service as a director or officer of First Commonwealth or any of its subsidiaries or because the person was serving at the request of First Commonwealth as a director, officer, employee or other representative of another entity.

Laurel Capital's articles of incorporation provide for mandatory indemnification of directors, officers, employees and agents of Laurel Capital against such proceedings to the fullest extent authorized by Pennsylvania law. Laurel Capital is also obligated to pay the expenses incurred by any director, officer, attorney, employee or agent of Laurel Capital in defending any proceeding in advance of its final disposition, subject to the receipt of an undertaking by the director or officer to repay all amounts advanced if it is ultimately determined that he or she is not entitled to be indemnified for such expenses.

Shareholders Meetings

The bylaws of First Commonwealth provide that special meetings of the shareholders may be called only by a majority of the corporation's board of directors. Shareholders of First Commonwealth are required to submit in writing to First Commonwealth any matter desired to be placed on the agenda of an annual meeting of shareholders not more than 120 days and not less than 60 days prior to the anniversary date of First Commonwealth's proxy statement for the immediately preceding meeting.

A special meeting of the shareholders of Laurel Capital may be called by the Chairman of the Board, the board of directors or shareholders entitled to cast at least 20% of the votes entitled to be cast at the meeting. Laurel Capital's articles of incorporation require that its shareholders submit to Laurel Capital written notice of any matter desired to be placed on the agenda of an annual meeting of shareholders not less than 60 days prior to the anniversary date of the immediately preceding annual meeting.

Required Shareholder Votes

General

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Subject to the voting rights of any series of First Commonwealth or Laurel Capital preferred stock then outstanding, the holders of First Commonwealth and Laurel Capital common stock possess exclusive voting rights of the respective corporations. Neither corporation allows cumulative voting rights in the election of directors. For general corporate action of the shareholders of First Commonwealth and Laurel Capital, the affirmative vote of a majority of the votes cast, in person or by proxy, at a shareholders meeting is required for approval.

Fundamental Changes

First Commonwealth's articles of incorporation require that a merger, consolidation, liquidation or dissolution or other action that would result in the sale of all or substantially all of the assets of the corporation must be approved by the affirmative vote of shareholders owning at least 75% of the outstanding shares of

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common stock, except for transactions which would not require shareholder approval under the Pennsylvania corporate statute. Generally, shareholder approval is not required under the Pennsylvania corporate statute for any merger if (i) the surviving corporation is a Pennsylvania corporation and the articles of incorporation of the surviving corporation are identical to those in effect before the merger, (ii) each share of stock outstanding before the merger is to continue as or be converted into an identical share of the surviving corporation, and (iii) the shareholders will continue to own in the aggregate shares of the surviving corporation entitled to cast at least a majority of the votes entitled to be cast in the election of directors. In addition to and aside from shareholder voting rights provided by the Pennsylvania corporate statute, New York Stock Exchange rules governing corporations whose stock is listed on the NYSE, such as First Commonwealth, require a shareholder vote on a merger if stock being issued in connection therewith possesses voting power equal to at least 20% of the voting power of the common stock outstanding immediately before the merger.

The articles of incorporation and bylaws of Laurel Capital do not specify the vote required for a merger or sale of substantially all of the assets of Laurel Capital. Under the Pennsylvania corporate statute, such actions must be approved by the affirmative vote of a majority of the votes cast at a meeting of shareholders at which a quorum is present.

Amendment of Articles of Incorporation

Under the Pennsylvania corporate statute, unless otherwise provided in the articles of incorporation, the affirmative vote of the holders of at least a majority of the outstanding shares of First Commonwealth's common stock is required to approve an amendment to the articles of incorporation of First Commonwealth. First Commonwealth's articles of incorporation require the affirmative vote of the holders of at least 75% of the outstanding shares of First Commonwealth common stock to amend or repeal the requirement that at least 75% of the outstanding shares of common stock approve any business combination, as described above under "Comparison of Rights of Shareholders" Fundamental Changes.

Laurel Capital's articles of incorporation require the approval of holders of at least a majority of the shareholders of Laurel Capital stock to amend the articles, except the approval of the holders of at least two-thirds of Laurel Capital's stock is necessary to amend, repeal or adopt any provision inconsistent with, the provisions of the articles of incorporation relating to the classification of the board of directors or the vote required to amend the articles of incorporation and bylaws.

Amendment of Bylaws

First Commonwealth's bylaws may be altered, amended or repealed by the affirmative vote of the holders of at least 80% of the outstanding shares of First Commonwealth common stock or by a majority vote of the board of directors, subject to the power of shareholders to change the action of the board of directors by the affirmative vote of 80% of the outstanding shares of First Commonwealth common stock. In addition, the Pennsylvania corporate statute requires shareholder approval to adopt or amend any bylaw provision on any matter that is expressly committed to shareholders by the statute. These matters include shareholder voting rights, limitations on director liability, classes of board membership, share transfer restrictions, and other related subjects.

Laurel Capital's bylaws may be altered, amended or repealed by the board of directors or by shareholders holding at least a majority of the outstanding shares entitled to vote generally in the election of directors.

Provisions with Possible Anti-Takeover Effects

Certain provisions of the articles of incorporation and bylaws of First Commonwealth and Laurel Capital and certain provisions of the Pennsylvania corporate statute to which First Commonwealth and Laurel Capital are subject may have the effect of deterring or discouraging, among other things, a hostile tender offer for the corporation's stock, a proxy contest for control of the corporation, the assumption of control of the corporation

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by a holder of a large block of its stock or the removal of the corporation's management, even if such actions would be advantageous to the corporation's shareholders. These provisions are summarized below.

Authority to Oppose Unsolicited Offers

The articles of incorporation of First Commonwealth authorize its board of directors to take defensive actions to oppose a tender offer or other offer for First Commonwealth's securities if it determines that the offer should be rejected. In determining whether to reject an offer, the board is authorized to consider the offer price, the ability to obtain a more favorable price in the future, the impact of an acquisition on First Commonwealth's employees and customers and the communities in which they serve, the reputation and business practices of the offeror and its management, the value of the securities which are offered in exchange for First Commonwealth's securities, and any antitrust or regulatory issues that are raised by the offer. If First Commonwealth's board determines that the offer should be rejected, it is authorized to take any lawful action against the offer, including advising shareholders to reject the offer, commencing litigation against the offeror, acquiring or selling First Commonwealth's securities or granting options to purchase First Commonwealth securities, acquiring another company and seeking a more favorable offer from another party.

The articles of incorporation and bylaws of Laurel Capital do not contain a comparable provision.

Classified Board of Directors

As described above under Board of Directors, the boards of directors of First Commonwealth and Laurel Capital are separated into three classes. This could make it more difficult for a third party to acquire immediate control over the corporation's board of directors, thereby possibly discouraging a third party from seeking control of First Commonwealth or Laurel Capital.

Anti-Takeover Provisions of Pennsylvania Law

Under the Pennsylvania corporate statute, certain anti-takeover provisions apply to Pennsylvania registered corporations (e.g. publicly traded companies) including those relating to (i) control share acquisitions, (ii) disgorgement of profits by certain controlling persons, (iii) business combination transactions with interested shareholders and (iv) the rights of shareholders to demand fair value for their stock following a control transaction. Pennsylvania law allows corporations to opt out of these anti-takeover sections by provisions in their articles of incorporation or, in some cases, their bylaws. Laurel Capital has opted out of the provisions relating to control share acquisitions and disgorgement of profits by certain controlling persons. First Commonwealth has not opted out of any of these anti-takeover provisions. A general summary of these applicable anti-takeover provisions is set forth below.

Control Share Acquisitions. Pennsylvania law regarding control share acquisitions relates to the act of acquiring for the first time voting power over voting shares (other than shares owned since January 1, 1988 and any additional shares distributed with respect to such shares) equal to at least 20%, 33 1/3% and 50% of the voting power of the corporation. Once a control share acquisition has occurred, then all shares in excess of the triggering threshold, plus shares purchased at any time with the intention of acquiring such voting power and shares purchased within 180 days of the date the triggering threshold was exceeded, are considered control shares. Control shares cannot vote either until their voting rights have been restored by two separate votes of the shareholders, described below, at a meeting or until they have been transferred to a person who does not thereby also become the holder of a control share acquisition.

The holder of a control share acquisition may wait until the next annual or special meeting after the acquisition took place to submit the question of the restoration of voting rights to the shareholders, or the acquiring person may accelerate the process by agreeing to underwrite the cost of a special meeting of shareholders for that purpose. In either case, the acquiring person is required to furnish for distribution to the

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shareholders an information statement containing a detailed disclosure concerning the acquiring person, its intentions with respect to ownership of securities of the corporation and other matters. As an alternative, a person proposing to make a control share acquisition may request prospective approval by the shareholders of the exercise of the voting rights of the shares proposed to be acquired. Two shareholders' votes are required to approve the restoration of voting rights. First, the approval of an absolute majority of all voting power must be obtained. All voting shares are entitled to participate in this vote. Second, the approval of an absolute majority of all disinterested shareholders must be obtained.

For a period of 24 months after the later of (i) a control share acquisition by an acquiring person who does not properly request consideration of voting rights or (ii) the denial of such a request or lapse of voting rights, the corporation may redeem all the control shares at the average public market sales price of the shares on the date notice of the call for redemption is given by the corporation.

Disgorgement of Profits by Certain Controlling Persons. Pennsylvania law regarding disgorgement of profits by certain controlling persons applies in the event that (i) any person or group publicly discloses that the person or group may acquire control of the corporation, or (ii) a person or group acquires (or publicly discloses an intent to acquire) 20% or more of the voting power of the corporation and, in either case, sells shares within 18 months thereafter. Any profits from sales of equity securities of the corporation received by the person or group during such 18-month period will belong to the corporation, if the securities that were sold were acquired during the 18-month period or within 24 months prior thereto.

Business Combination Transactions with Interested Shareholders. Pennsylvania law regarding business combination transactions with interested shareholders provides that a person who acquires the direct or indirect beneficial ownership of shares entitled to cast at least 20% of the votes entitled to be cast for the election of directors becomes an interested shareholder. A corporation subject to this provision may not effect mergers or certain other business combinations with the interested shareholder for a period of five years, unless:

the business combination or the acquisition of stock by means of which the interested shareholder became an interested shareholder is approved by the corporation's board of directors prior to such stock acquisition;

the business combination is approved by the affirmative vote of the holders of all the outstanding common shares of the corporation;
or

the business combination is approved by the affirmative vote of the holders of a majority of all shares entitled to vote, excluding votes of shares held by the interested shareholders, and at the time of such vote, the interested shareholder is the beneficial owner of at least 80% of the voting shares of the corporation. This exception applies only if the value of the consideration to be paid by the interested shareholder in connection with the business combination satisfies certain fair price requirements.

After the five-year restricted period, an interested shareholder of the corporation may engage in a business combination with the corporation if (i) the business combination is approved by the affirmative vote of a majority of the shares other than those beneficially owned by the interested shareholder and its affiliates or (ii) the merger is approved at a shareholders' meeting and certain fair price requirements are met.

Rights of Shareholders to Demand Fair Value for Stock Following a Control Transaction. Pennsylvania law regarding the ability of shareholders to dispose of their stock following a control transaction provides, generally, that a person or group that acquires more than 20% of the voting power to elect directors of the corporation is a controlling person and must give prompt notice to each shareholder of record. The other shareholders are then entitled to demand that the controlling person pay them the fair value of their shares under specified procedures. Fair value may not be less than the highest price paid per share by the controlling person at any time during the 90-day period ending on and including the date on which the controlling person became such, plus any increment representing any value, such as a control premium, that is

not reflected in such price.

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APPRAISAL RIGHTS

Appraisal rights are statutory rights that enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction.

Shareholders of Laurel Capital are entitled to exercise the rights under Subchapter D of the Pennsylvania Business Corporation Law (which we refer to as Subchapter D) to object to the merger and to make a written demand that we pay in cash the fair value of the shares held by the shareholder as determined in accordance with Subchapter D. The following is a summary of the provisions of Subchapter D. This summary is qualified in its entirety by reference to the provisions of Subchapter D, which are set forth in full as *Annex C* to this proxy statement/prospectus.

The fair value of shares of Laurel Capital stock is defined in Subchapter D as the fair value of the shares immediately before the effective time of the merger, taking into account all relevant factors, but excluding any appreciation or depreciation in anticipation of the merger. Opinions of investment banking firms as to the fairness from a financial point of view of consideration received in a merger, such as the opinion issued by Janney, are not necessarily determinative of fair value under Subchapter D.

Except as otherwise provided below, only a record holder of shares of Laurel Capital stock is entitled to assert appraisal rights with respect to the shares registered in the holder's name. A record holder, such as a broker or depository nominee, who holds shares as a nominee for others, may exercise appraisal rights with respect to all (but not less than all) of the shares held for one or more beneficial owners, while not exercising the rights for other beneficial owners. The demand for payment described below must show the name and address of the person or persons on whose behalf the appraisal rights are being exercised. A beneficial owner who is not a record holder who wishes to exercise appraisal rights may do so only if the shareholder submits a written consent of the record holder with his demand for payment. Accordingly, if you are a beneficial owner of shares, you should consult promptly with your record holder as to the timely exercise of appraisal rights. A beneficial owner must assert appraisal rights with respect to all shares owned by him or her, whether or not all of his or her shares are registered in his or her name.

To exercise appraisal rights and obtain payment of the fair value of his shares, a shareholder must satisfy all the following conditions:

The shareholder must notify Laurel Capital in writing before the date of our special meeting of the shareholder's intention to demand that the shareholder be paid the fair value for the shareholder's shares if the merger is consummated.

The shareholder must not change the beneficial ownership of his or her shares from the date he or she files the written notice until the effective time of the merger.

The shareholder must refrain from voting his or her shares in favor of the merger proposal. Neither an abstention from voting with respect to, nor a failure to vote in person or by proxy against approval of, the merger proposal will constitute a waiver of a shareholder's appraisal rights. However, a signed proxy that is returned without any instruction as to how the proxy should be voted will be voted in favor of the merger proposal and will be deemed to be a waiver of the shareholder's appraisal rights.

A notice of intention to demand payment must clearly state that the shareholder intends to demand that the shareholder be paid the fair value of the shareholder's shares if the merger is consummated, must provide the name, address and telephone number of the shareholder making the demand and must be sent to Laurel Capital. A shareholder who exercises appraisal rights will retain all other rights as a shareholder until the

merger is completed.

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If the merger is approved at the special meeting, we will mail to each shareholder who complied with the procedures listed above a notice stating where and when a demand for payment of the fair value of his or her shares must be sent, and where and when stock certificates must be deposited to obtain payment of the fair value. The notice will be accompanied by a demand for payment form, which will include a request that the shareholder certify the date on which the shareholder (or the person on whose behalf the shareholder exercises appraisal rights) acquired beneficial ownership of the shares. A shareholder exercising appraisal rights will have 30 days from the date that we mail the notice to send in their demand for payment form and to deposit their stock certificate. If a shareholder fails to send in the demand for payment or stock certificate on a timely basis, that shareholder will lose appraisal rights under Subchapter D, but will retain all other rights as a shareholder until the merger is consummated.

If the merger has not been completed within 60 days after the date set for demanding payment and depositing certificates, we will return any certificates that have been deposited. Once the deposited certificates are returned, we may thereafter send a new notice to demand payment, which will have the same effect as the original notice.

Promptly after completion of the merger, or upon timely receipt of demand for payment if the merger has already been effectuated, we will either remit to shareholders who have made a demand and have deposited their stock certificates the amount we estimate to be the fair value of the shares, or give written notice that no remittance will be made. The remittance or notice must be accompanied by the following documents:

the closing balance sheet and statement of income of Laurel Capital for the fiscal year ending not more than 16 months before the date of remittance or notice, together with our latest available interim financial statements;

a statement of First Commonwealth's estimate of the fair value of the shares; and

a notice of the right of the shareholder to demand payment or supplemental payment, as the case may be, accompanied by a copy of Subchapter D.

If we do not remit the amount of our estimate of the fair value of the shares, we will return all stock certificates that the shareholders have deposited. We may make a notation on any of the certificates that a demand for payment has been made. If shares with respect to which a notation has been so made are transferred, a transferee of the shares will not acquire by virtue of the transfer any rights in the shares other than those that the original shareholder had after making a demand for payment.

If we give notice of our estimate of the fair value of the shares without remitting payment, or if we remit payment of the amount for any shareholder's shares and the shareholder believes that the amount stated or remitted is less than the fair value of the shareholder's shares, the shareholder may elect to send to us the shareholder's own estimate of the fair value of the shares, which will be deemed a demand for payment of the amount of the deficiency. If a shareholder does not file that shareholder's own estimate within 30 days after our mailing of our remittance or notice, the shareholder will be entitled to no more than the amount stated on the notice or remitted to them by us.

If any demand for payment remains unsettled within 60 days after the latest to occur of: (i) completion of the merger, (ii) timely receipt of any demands for payment or (iii) timely receipt of any estimates by shareholders of the fair value of their shares, we may file an application for relief in court requesting that the fair value of the shares be determined by the court. While we do not anticipate filing an application for the court to determine the fair market value of the shares, if we elected to file an application, the court's determination of the fair market value of the shares may be higher or lower than the merger consideration.

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Any shareholder who exercises appraisal rights, wherever residing, whose demand has not been settled, will be made a party to the proceeding. A copy of the application for relief will be served on each such shareholder. If

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a shareholder is a nonresident of Pennsylvania, the application will be served in the manner provided or prescribed by or under applicable provisions of Pennsylvania law relating to bases of jurisdiction and interstate and international procedure. The jurisdiction of the court will be plenary and exclusive. The court may appoint an appraiser to receive evidence and recommend a decision on the issue of fair value. The appraiser will have the power and authority that is specified in the order of appointment or in any amendment of the order. Each shareholder who is made a party will be entitled to recover the amount by which the fair value of his or her shares is found to exceed the amount, if any, previously remitted, plus interest from the effective time of the merger until the date of payment. Interest will be at a rate that is fair and equitable under all of the circumstances, taking into account all relevant factors.

If we fail to file an application for relief, any shareholder who made a demand for payment and who has not already settled such shareholder's claim against us may file an application for relief in our name at any time within 30 days after the expiration of the 60-day period referred to above. If a shareholder does not file an application within the 30-day period, the shareholder will be paid our estimate of the fair value of his shares and no more, and may bring an action to recover any amount not previously remitted.

In general, the costs and expenses of any valuation proceeding, including the reasonable compensation and expenses of any appraiser appointed by the court, will be determined by the court and assessed against us. However, any part of the costs and expenses may be apportioned and assessed as the court deems appropriate against all or some of the shareholders who are parties to the proceeding and whose action in demanding supplemental payment the court finds to be dilatory, obdurate, arbitrary, vexatious or in bad faith. If the court finds that the services of counsel for any shareholder were of substantial benefit to other shareholders similarly situated and should not be assessed against us, it may award to those counsel reasonable fees to be paid out of the amounts awarded to the shareholders who were benefited.

From and after the effective time of the merger, shareholders exercising their appraisal rights will not be entitled to receive payment of dividends or other distributions on their shares of our stock.

Because failure to comply entirely with the strict requirements of the Pennsylvania corporate statute may result in the loss of your right to an appraisal, you should promptly consult your legal advisor if you are considering exercising your appraisal rights.

ADJOURNMENT OF THE SPECIAL MEETING

In the event that there are not sufficient votes to constitute a quorum or approve the adoption of the merger agreement at the time of the special meeting, the merger agreement could not be approved unless the meeting was adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by Laurel Capital at the time of the special meeting to be voted for an adjournment, if necessary, Laurel Capital has submitted the question of adjournment to its shareholders as a separate matter for their consideration. The board of directors of Laurel Capital unanimously recommends that shareholders vote **FOR** the adjournment proposal. If it is necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to shareholders, other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned.

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BUSINESS OF LAUREL CAPITAL

General

Laurel Capital is a bank holding company whose primary asset is the common stock of Laurel Savings Bank. The business and management of Laurel Capital primarily consists of the business and management of Laurel Savings Bank. Laurel Savings Bank's business is conducted through its corporate headquarters located in Allison Park, Pennsylvania as well as six branch offices located in Allegheny County and one branch office located in Butler County, Pennsylvania. Additionally, Laurel Savings Bank has one active subsidiary, Laurel Financial Group, Inc. (LFG), headquartered in Wilmington, Delaware. At March 31, 2006 LFG had assets of approximately \$12.4 million consisting primarily of single-family residential loans and U.S. Government Agency Notes. At March 31, 2006, Laurel Capital had total assets of \$314.3 million and stockholders' equity of \$27.8 million or 8.9% of total assets. In addition, at such date, Laurel Savings Bank's core capital of \$24.1 million and Tier I and Tier II risk-based capital of \$24.1 million and \$26.1 million, respectively, exceeded the regulatory required amounts by \$11.8 million, \$17.6 million and \$13.1 million, respectively. Laurel Savings Bank's corporate headquarters is located at 2724 Harts Run Road, Allison Park, Pennsylvania, its telephone number is (412) 487-7400 and its internet address is www.laurelsb.com.

Laurel Savings Bank is primarily engaged in attracting deposits from the general public and using these funds to originate permanent first mortgage loans on single-family residential properties, and, to a lesser extent, multi-family residential loans, construction and development loans, commercial real estate loans and consumer loans. Laurel Savings Bank's revenue is primarily derived from interest income on its loan portfolio. Laurel Savings Bank's principal expenses are interest expense on deposits and other operating expenses. The principal sources of funds for Laurel Savings Bank's lending activities are its deposits and amortization and prepayments of outstanding loans and investment securities.

Lending Activities

General. Laurel Savings Bank has traditionally concentrated its lending activities on conventional first mortgage loans secured by residential property. Conventional loans are neither insured by the Federal Housing Administration nor partially guaranteed by the Department of Veterans Affairs. At March 31, 2006, Laurel Savings Bank's gross loan portfolio amounted to \$217.8 million, representing approximately 69.3% of Laurel Savings Bank's total assets at that date. Permanent loans secured by single-family (one-to-four units) residential properties amounted to \$169.5 million or 77.9% of the total loan portfolio at March 31, 2006. At March 31, 2006, multi-family (over four units) residential loans amounted to \$1.4 million or 0.6% of the total loan portfolio while construction and development loans totaled \$4.6 million or 2.1% of the total loan portfolio and commercial real estate loans totaled \$3.6 million or 1.6% of the total loan portfolio. Consumer loans, the second largest component of Laurel Savings Bank's total loan portfolio, amounted to \$37.8 million or 17.4% of such portfolio at March 31, 2006 and consisted primarily of home equity loans, home equity lines of credit and automobile loans. Commercial and other loans, which make up the remainder of the portfolio, amounted to \$927,000 or 0.4% of the loans outstanding at March 31, 2006.

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The following table sets forth the composition of Laurel Savings Bank's loan portfolio by type of loan at the dates indicated.

	As of March 31,		As of June 30,									
	2006		2005		2004		2003		2002		2001	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(Dollars in Thousands)												
Real estate loans:												
Single-family	\$ 169,518	77.9%	\$ 165,844	77.4%	\$ 125,304	70.3%	\$ 118,962	62.6%	\$ 131,359	71.1%	\$ 130,039	70.3%
Multi-family	1,373	0.6%	1,462	0.7%	1,616	0.9%	2,640	1.4%	3,202	1.7%	2,892	1.6%
Construction and development (1)	4,577	2.1%	5,095	2.4%	5,247	2.9%	14,728	7.7%	9,687	5.3%	10,763	5.8%
Commercial	3,575	1.6%	4,437	2.1%	6,322	3.6%	5,337	2.8%	4,496	2.4%	5,051	2.7%
Total real estate loans	179,043	82.2%	176,838	82.6%	138,489	77.7%	141,667	74.5%	148,744	80.5%	148,745	80.4%
Commercial and other loans (2)	927	0.4%	665	0.3%	1,475	0.8%	3,012	1.6%	1,560	0.8%	1,707	0.9%
Consumer loans (3)	37,781	17.4%	36,638	17.1%	38,295	21.5%	45,463	23.9%	34,461	18.7%	34,441	18.7%
Total loans	\$ 217,751	100.0%	\$ 214,141	100.0%	\$ 178,259	100.0%	\$ 190,142	100.0%	\$ 184,765	100.0%	\$ 184,893	100.0%
Less:												
Loans in process	(1,741)		(3,290)		(3,459)		(7,314)		(4,719)		(6,160)	
Allowance for loan losses	(2,000)		(1,989)		(2,032)		(2,006)		(1,803)		(1,759)	
Unamortized costs and fees	977		887		523		380		79		(66)	
Net loans receivable	\$ 214,987		\$ 209,749		\$ 173,291		\$ 181,202		\$ 178,322		\$ 176,908	
Loans held for sale (4)	\$ 172		\$ 947		\$ 1,130		\$ 1,439		\$ 1,371		\$ 1,701	

- (1) The \$4.6 million construction and development loan portfolio outstanding at March 31, 2006 consisted of adjustable-rate construction loans totaling \$2.4 million and fixed-rate construction loans totaling \$2.2 million.
- (2) Commercial and other loans consists primarily of U.S. Department of Agriculture loans which are guaranteed.
- (3) Consumer loans consist primarily of home equity loans, home equity lines of credit and automobile loans.
- (4) Loans held for sale consist of guaranteed student loans.

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Maturities and Repricing of Loans. The following table sets forth the contractual principal repayments of the total loan portfolio of Laurel Savings Bank as of March 31, 2006 by categories of loans. Loans with adjustable interest rates are shown in the year that interest rates are next scheduled to adjust rather than the year that they are contractually due. Fixed rate loans are included in the year that they are contractually due. The amounts shown for each period do not take into account either loan prepayments or scheduled amortization of Laurel Savings Bank's loan portfolio.

	Total Loans Outstanding at March 31, 2006	Loans Scheduled to Mature or Reprice in the Year Ended March 31,									
		2007	2008	2009	2010	2011	2012	2017	2018	2027	2028 and Thereafter
(Dollars in Thousands)											
Fixed-rate mortgage loans	\$ 71,136	\$ 101	\$ 1,435	\$ 680	\$ 10,046	\$ 21,538	\$ 37,336				
Adjustable-rate mortgage loans	103,330	5,873	29,336	67,205	916						
Construction	4,577	180	2,189	1,065				776			367
Consumer and other loans	38,708	2,370	4,847	5,549	12,603			12,914			425
Total	\$ 217,751	\$ 8,524	\$ 37,807	\$ 74,499	\$ 23,565	\$ 35,228	\$ 38,128				

Contractual repayments of adjustable-rate mortgage loans due after March 31, 2006 amount to \$103.3 million. Contractual maturities of loans do not reflect the actual term of Laurel Savings Bank's loan portfolio. The average life of mortgage loans is substantially less than their contractual terms because of loan prepayments and because of enforcement of due-on-sale clauses which give Laurel Savings Bank the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells the real property subject to the mortgage and the loan is not repaid. Scheduled principal amortization also reduces the average maturity of the loan portfolio. The average life of mortgage loans tends to increase, however, when current mortgage rates substantially exceed rates on existing mortgages and conversely, decrease when rates on existing mortgages substantially exceed current mortgage loan rates.

Origination, Purchase and Sale of Loans. Loan originations are derived from a number of sources such as mortgage correspondents, mortgage bankers, existing customers, borrowers, builders and walk-in customers. All of Laurel Savings Bank's mortgage lending is subject to its written, nondiscriminatory underwriting standards and to loan origination procedures prescribed by its board of trustees. Decisions on loan applications are made on the basis of detailed applications and property valuations by independent appraisers approved by the board of trustees. The loan applications are designed to determine the borrower's ability to repay, and the more significant items on the applications are verified through the use of credit reports, financial statements and confirmations.

It is Laurel Savings Bank's policy to obtain title insurance policies insuring that Laurel Savings Bank has a valid lien on mortgaged real estate. Borrowers must obtain fire and casualty insurance policies prior to closing and, when the property is in a flood plain as designated by the Department of Housing and Urban Development, flood insurance policies are required prior to closing. Borrowers may be required to advance funds on a monthly basis together with each payment of principal and interest to a mortgage escrow account from which Laurel Savings Bank makes disbursements for items such as real estate taxes, hazard insurance premiums and private mortgage insurance premiums as they are due.

Under policies adopted by Laurel Savings Bank's board of trustees, Laurel Savings Bank limits the loan-to-value ratio to 97% on residential mortgage loans and requires that private mortgage insurance be obtained that reduces Laurel Savings Bank's loan-to-value ratio to 80%. The loan-to-value ratio on second mortgages may not exceed 100% of the property value including the amount of the first mortgage on the property. Construction and development and commercial real estate loans generally are made for no more than 97% and 80%, respectively, of the appraised value of the property. With respect to construction and development loans, such value reflects the projected value of the property upon

completion.

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Historically, Laurel Savings Bank has not been an active purchaser or seller of loans. However, during fiscal 2005 and fiscal 2004, Laurel Savings Bank purchased mortgage loans in the secondary market amounting to \$5.9 million and \$20.8 million, respectively. These loans primarily consisted of adjustable-rate mortgages on one-to-four family residential properties. No such loans were purchased during the nine months ended March 31, 2006. The sales activity conducted by Laurel Savings Bank during the nine month period ended March 31, 2006 and fiscal 2005, 2004 and 2003 included both the sale of student loans and the sale of fixed-rate loans.

The following table shows total loan origination, purchase and repayment activities of Laurel Savings Bank during the periods indicated.

	For the Nine Months Ended March 31,	Year Ended June 30,		
		2006	2005	2004
		(Dollars in Thousands)		
Real estate originations:				
Residential:				
Single-family	\$ 20,249	\$ 59,729	\$ 26,094	\$ 28,881
Multi-family	701		168	124
Commercial	280	570	900	1,256
Construction and development (1)	1,875	4,053	3,876	14,396
Total real estate loan originations	23,105	64,352	31,038	44,657
Consumer and other loan originations (2)	11,384	14,527	17,796	24,960
Total loan originations	34,489	78,879	48,834	69,617
Loans purchased		5,910	20,832	
Loans acquired by acquisition (3)				24,555
Total loan originations, loans purchased and loans acquired	34,489	84,789	69,666	94,172
Loans sold	994	563	849	612
Principal loan repayments	37,947	47,408	76,961	90,383
Other, net (4)	11	360	76	229
Total principal loan repayments and other	38,952	48,331	77,886	91,224
Net (decrease) increase in loans receivable, net and loans held for sale	\$ (4,463)	\$ 36,458	\$ (8,220)	\$ 2,948

- (1) Construction and development loans are classified as either residential or commercial real estate loans at the time of origination depending on the nature of the properties securing the loans. Construction loan originations totaled \$1.9 million during the nine month period ended March 31, 2006, of which \$216,000 were adjustable-rate loans and \$1.7 million were fixed-rate loans.
- (2) Includes student loans held for sale.
- (3) Reflects loans acquired in conjunction with the acquisition of SFSB Holding Company on March 28, 2003.
- (4) Includes transfers to real estate owned and all activity in the allowance for possible loan losses.

Lending Programs and Policies

Residential Lending. Historically, Laurel Savings Bank's lending activity has consisted largely of the origination of long-term, fixed-rate residential mortgage loans secured by one-to-four family residential properties. At March 31, 2006, \$66.9 million or 30.7% of Laurel Savings Bank's total loan portfolio consisted of long-term loans with fixed-rates of interest which were secured by first mortgages on one-to-four family residential properties. During the nine month period ended March 31, 2006 and fiscal 2005, 2004 and 2003,

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Laurel Savings Bank originated \$1.8 million, \$8.7 million, \$9.0 million and \$26.3 million, respectively, of fixed-rate single-family mortgage loans and \$18.4 million, \$51.0 million, \$17.1 million and \$2.6 million, respectively, of adjustable-rate single-family mortgage loans. Over the last few years, Laurel Savings Bank's residential mortgage loan portfolio has shifted from fixed-rate loans to adjustable-rate loans as a result of demand for such loans in Laurel Savings Bank's market area. During the nine month period ended March 31, 2006, Laurel Savings Bank continued to experience a decline in principal loan repayments related to loan origination and refinancing activity concerning one-to-four family loans.

Laurel Savings Bank's fixed-rate loans generally have maturities ranging from 15 to 30 years and are fully amortizing with monthly payments sufficient to repay the total amount of the loan with interest by the end of the loan term. Such loans are originated under terms, conditions and documentation which permit them to be sold to U.S. Government sponsored agencies. Laurel Savings Bank's fixed-rate loans customarily include due on sale clauses, which give Laurel Savings Bank the right to declare a loan immediately due and payable in the event the borrower sells or otherwise disposes of the real property subject to the mortgage or the loan is not repaid.

Laurel Savings Bank also originates adjustable-rate mortgages (ARMs) with up to a 30-year amortization schedule. On all ARMs currently offered by Laurel Savings Bank, payments are adjusted with each interest rate adjustment so that the term of the ARM is not affected. Laurel Savings Bank currently offers 1 year, 3 year and 5 year adjustable-rate loans. After the initial adjustment period (1,3 or 5 years), interest rate adjustments occur annually based on the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year. All three loan types limit interest rate increases to 6% over the life of the loan and limit decreases to 2% below the initial rate. Additionally, all three loan types have a 2% adjustment cap. All of these loans may be converted to fixed-rate loans upon payment of a specified fee. Although Laurel Savings Bank intends to continue to emphasize the origination of ARMs in order to reduce the impact on its operations of rapid increases in market rates of interest, such loans generally do not adjust as rapidly as changes in Laurel Savings Bank's cost of funds. At March 31, 2006, \$102.6 million or 47.1% of Laurel Savings Bank's total loan portfolio consisted of ARMs on one-to-four family residential real estate.

Commercial and Multi-Family Real Estate Lending. Laurel Savings Bank originated \$280,000 of commercial real estate loans and \$701,000 of multi-family residential real estate loans during the nine month period ended March 31, 2006. At March 31, 2006, Laurel Savings Bank's multi-family residential real estate loans and commercial real estate loans amounted to \$1.4 million and \$3.6 million, respectively, or 0.6% and 1.6% of the total loan portfolio, respectively. Such loans generally have interest rates which exceed the interest rates on single-family residential real estate loans and usually have shorter terms. Such loans are offered with interest rates that generally adjust annually at 1% to 2% over the prime rate as published in the Wall Street Journal or are fixed for the term of the loan. Of the \$5.0 million of commercial real estate and multi-family residential loans at March 31, 2006, \$4.2 million have fixed rates of interest and \$749,000 have adjustable rates of interest. These loans have up to 30-year amortization schedules. Laurel Savings Bank's multi-family real estate loans are secured primarily by apartment buildings and its commercial real estate loans are secured primarily by other income-producing properties located in its market area, including small office buildings and warehouses.

Multi-family and commercial real estate lending entails significant additional risks as compared with single-family residential property lending. Multi-family and commercial real estate loans typically involve large loan balances to single borrowers or groups of related borrowers. The payment experience on such loans is typically dependent on the successful operation of the real estate project. The success of such projects is sensitive to changes in supply and demand conditions in the market for multi-family and commercial real estate as well as economic conditions. Although such loans are inherently more risky than single-family residential loans, Laurel Savings Bank recognizes the benefits of increasing its origination of these types of loans in the future due to the generally higher rates of interest earned on such loans.

Laurel Savings Bank evaluates all aspects of commercial and multi-family real estate loan transactions in order to mitigate the risk to Laurel Savings Bank to the greatest extent possible. Laurel Savings Bank seeks to

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ensure that the property securing the loan will generate sufficient cash flow to adequately cover operating expenses and debt service payments. To this end, permanent commercial and multi-family real estate loans are generally made at a loan-to-value ratio of 80% or less and with a minimum debt service coverage generally of one to one and one-half times net rental income. In underwriting commercial and multi-family real estate loans, consideration is given to the property's operating history, future operating projections, current and projected occupancy, location and physical condition. The underwriting analysis also includes credit checks and a review of the financial condition of the borrower. A narrative appraisal report prepared by an outside appraiser, qualified by an independent member of the American Institute of Appraisers or a similar organization, is commissioned by Laurel Savings Bank to substantiate property values for commercial and multi-family real estate loan transactions, which appraisal, in final form, Laurel Savings Bank obtains prior to closing the loan. Laurel Savings Bank also obtains in virtually all cases full personal loan guarantees from the borrower, or in the case of a corporate borrower, the loan guarantees from the persons controlling the borrower.

Construction and Development Lending. Laurel Savings Bank's construction and development loans accounted for 8.1% of real estate loans originated during the nine month period ended March 31, 2006, 6.3% in fiscal 2005, 12.5% in fiscal 2004 and 32.2% in fiscal 2003. Such loans are generally used to fund the construction of residential properties for owner-occupancy although Laurel Savings Bank has originated commercial construction and land acquisition and development loans to a limited degree. Construction and development loans are classified as either residential or commercial real estate loans at the time of origination, depending on the nature of the property securing the loan. At March 31, 2006, construction and development loans amounted to \$4.6 million or 2.1% of Laurel Savings Bank's total loan portfolio. The decrease in the origination of construction and development loans during the nine months ended March 31, 2006 and fiscal 2005 relative to fiscal 2004 and 2003 was primarily the result of a change in loan pricing due to perceived risks associated with such loans.

While the majority of Laurel Savings Bank's construction and development loans are made to homeowners, Laurel Savings Bank also originates speculative construction loans on a limited basis. Speculative construction loans on unsold properties carry more risk than pre-sold or individual construction loans originated by Laurel Savings Bank because the payoff for the loan is generally dependent on the builder's ability to sell the property prior to the time that the construction loan is due. Laurel Savings Bank attempts to mitigate these risks by, among other things, working with builders with whom it has established relationships and by generally limiting the number of unsold homes under construction. At March 31, 2006, speculative construction loans amounted to \$2.5 million.

Laurel Savings Bank has been active in residential construction lending for many years and absent the proposed merger could continue its involvement in such lending in the future. Although Laurel Savings Bank has not experienced any significant difficulties, construction lending is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on construction loans is dependent largely upon the accuracy of the initial appraisal of the property's projected value at completion of construction as well as the estimated costs of construction, including interest. During the construction phase, a number of factors could result in delays and cost overruns. If either estimate proves to be inaccurate and the borrower is unable to provide additional funds, the lender may be required to advance funds beyond the amount originally committed to permit completion of the project and/or be confronted at the maturity of the construction loan with a project whose value is insufficient to assure full repayment. In addition, if the borrower is unable to obtain permanent financing prior to the expiration of the term of the construction loan and has not sold his or her existing residence due to market conditions, Laurel Savings Bank could experience a risk of loss in the event of the borrower's existing residence is not sold for an extended period of time. In such instance, Laurel Savings Bank generally requires the borrower to sell the construction property, rent the property or execute a deed-in-lieu of foreclosure.

Consumer Lending. Laurel Savings Bank originated \$11.4 million, \$14.5 million, \$17.8 million and \$25.0 million of consumer loans during the nine month period ended March 31, 2006, fiscal 2005, fiscal 2004 and

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fiscal 2003 out of total loan originations, purchases and acquisitions of \$34.5 million, \$84.8 million, \$69.7 million and \$94.2 million, respectively. Although consumer loans may involve a greater risk of loss than residential real estate loans due to the nature of the collateral involved (or the absence of collateral), Laurel Savings Bank carefully reviews the creditworthiness of the borrower and, where applicable, the value of the collateral for such loans. However, since the amount outstanding on each individual loan is smaller, the risk of financial loss per loan is lower when compared to mortgage and commercial lending.

Installment loans accounted for \$37.7 million or 99.8% of all consumer loans at March 31, 2006. Installment loans generally have shorter terms with fixed rates of interest. Home equity loans, which make up the majority of Laurel Savings Bank's total installment loans, typically have fixed interest rates and terms up to 15 years, although a majority of such loans have terms of five years or less. Laurel Savings Bank does not require that it hold the first mortgage on the secured property. Laurel Savings Bank also offers a home equity line of credit with an adjustable rate of interest.

Loans on savings accounts are also offered with the interest rates generally set at the higher of the underlying collateral rate plus 3% or the current Federal Reserve Board discount rate plus 5%. The interest rate is adjusted if the rate on the account or the Federal Reserve Board discount rate changes. Such loans are generally made for up to 90% of the amount in the savings account and accounted for \$95,000 or 0.2% of the consumer loan portfolio at March 31, 2006.

Regulatory Requirements. The aggregate amount of loans that Laurel Savings Bank may make to any one borrower is limited to 15% of unimpaired capital and unimpaired surplus plus an additional 10% of unimpaired capital and unimpaired surplus when the loan is fully secured by readily marketable securities. At March 31, 2006, Laurel Savings Bank's loans to one borrower limit was approximately \$4.2 million. The largest aggregate amount of loans by Laurel Savings Bank to any one borrower, including related entities, was \$931,000 of fixed-rate loans on single and multi-family residences. This loan was current in accordance with its terms as of March 31, 2006.

Laurel Savings Bank is also subject to regulations which limit the amount of a real estate loan to a specified percentage of the value of the property securing the loan (referred to as the loan-to-value ratio). Such regulations provide that at the time of origination, a real estate loan may not exceed 100% of the appraised value of the secured property. Maximum loan-to-value ratios for each type of real estate loan made by an institution are to be established by the institution's board of trustees. If the amount of a home loan originated or refinanced is in excess of 80% of the appraised value, the institution is required to obtain private mortgage insurance on the portion of the principal amount of the loan that exceeds 80% of the appraised value of the secured property.

Non-performing Loans and Other Real Estate Owned

When a borrower fails to make a required payment on a loan, Laurel Savings Bank attempts to cure the deficiency by contacting the borrower and seeking payment. A late charge is generally assessed after 20 days. Contacts are generally made after a payment is more than 30 days past due. In most cases, the deficiencies are cured promptly. If the delinquency exceeds 90 days and is not cured through Laurel Savings Bank's normal collection procedures, Laurel Savings Bank will generally institute measures to remedy the default including, in the case of mortgage loans, commencing a foreclosure action, accepting from the mortgagor a voluntary deed of the secured property in lieu of foreclosure or obtaining from the borrower the collateral which secures a non-mortgage obligation.

The recognition of interest income on all loans is discontinued when, in the judgment of management, the probability of collection is deemed to be insufficient or when the loan becomes 90 days past due, whichever occurs first. All unpaid accrued interest on such loans is reserved. Consumer loans more than 120 days or 180 days delinquent (depending on the nature of the loan) are generally required to be written off.

If a foreclosure action is instituted and the loan is not reinstated, paid in full or refinanced, the property is sold at a public auction at which Laurel Savings Bank may participate as a bidder at the sale. If Laurel Savings

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Bank is the successful bidder, the acquired property is then included in Laurel Savings Bank's real estate owned account until it is sold. Laurel Savings Bank is permitted to finance the sales of these properties by loans to facilitate, which involve a lower down payment or a longer term than would be generally allowed by Laurel Savings Bank's underwriting standards. At March 31, 2006, Laurel Savings Bank had no loans to facilitate.

The remedies available to Laurel Savings Bank in the event of a default or delinquency with respect to certain residential mortgage loans, and the procedures by which such remedies may be exercised, are subject to Pennsylvania law and regulations. Under Pennsylvania law, a lender is prohibited from accelerating the maturity of a residential mortgage loan, commencing any legal action (including foreclosure proceedings) to collect on such loan, or taking possession of any loan collateral until the lender has first provided the delinquent borrower with at least 30 days prior written notice specifying the nature of the delinquency and the borrower's right to correct such delinquency. In addition, the lender's ability to exercise any remedies it may have with respect to loans for one- or two-family principal residences located in the Commonwealth of Pennsylvania is further restricted (including the lender's right to foreclose on such property) until the lender has provided the delinquent borrower with written notice detailing the borrower's rights to seek consumer credit counseling and state financial assistance and until the borrower has exhausted or failed to pursue such rights. These provisions of Pennsylvania law may delay for several months Laurel Savings Bank's ability to foreclose upon residential loans secured by real estate located in the Commonwealth of Pennsylvania. In addition, the uniform Fannie Mae/Freddie Mac lending documents used by Laurel Savings Bank, as well as most other residential lenders in Pennsylvania, require notice and a right to cure similar to that provided under Pennsylvania law.

Real estate acquired by Laurel Savings Bank as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When property is acquired, it is recorded at the lower of cost or fair value at the date of acquisition and any write-down resulting therefrom is charged to the allowance for loan losses. All costs incurred in maintaining Laurel Savings Bank's interest in the property are capitalized between the date the loan becomes delinquent and the date of acquisition. After the date of acquisition, all costs incurred in maintaining the property are expensed and costs incurred for the improvement or development of such property are capitalized.

The following table sets forth information regarding Laurel Savings Bank's non-accrual loans and real estate owned at the dates indicated. Laurel Savings Bank did not have any troubled debt restructurings at March 31, 2006.

	March 31,	June 30,				
	2006	2005	2004	2003	2002	2001
	(Dollars in Thousands)					
Non-accruing loans:						
Single-family residential real estate	\$ 535	\$ 854	\$ 1,561	\$ 572	\$ 232	\$ 467
Commercial real estate	40		418	282		31
Consumer and other loans	94	115	177	102	55	25
Total non-accruing loans	\$ 669	\$ 969	\$ 2,156	\$ 956	\$ 287	\$ 523
Total non-performing loans as a percentage of net loans receivable	0.31%	0.46%	1.24%	0.53%	0.11%	0.30%
Total real estate owned, net of related reserves	\$	\$ 37	\$	\$	\$ 131	\$ 290
Total non-performing assets as a percentage of total assets	0.21%	0.33%	0.72%	0.30%	0.12%	0.20%

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Under current federal regulations, an institution's problem assets are subject to classification according to one of three categories: substandard, doubtful and loss. For assets classified as substandard and doubtful,

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the institution is required to establish prudent general loan loss reserves in accordance with U.S. generally accepted accounting principles. Assets classified as loss must be completely written off. A category designated special mention also must be established and maintained for assets not currently requiring classification under federal regulations but having potential weaknesses or risk characteristics that could result in future problems. An institution is required to develop an in-house program to classify its assets, including investments in subsidiaries, on a regular basis and to set aside appropriate loss reserves on the basis of such classification. At March 31, 2006, Laurel Savings Bank's classified assets totaled \$726,000, all of which were classified as substandard. Classified assets consist of Laurel Savings Bank's non-performing residential real estate loans, consumer loans, certain loans which were delinquent between 15 and 90 days and other current loans which have in the past displayed characteristics which reflect potential weaknesses.

Allowance for Estimated Loan Losses. Provisions for loan losses on first mortgage and other loans are charged to earnings in amounts that result in an allowance sufficient, in management's judgment, to cover all known and inherent losses in Laurel Savings Bank's loan portfolio that are both probable and reasonable to estimate. In determining the appropriate level of provisions for loan losses, consideration is given to general economic conditions, diversification of loan portfolios, historical loss experience, identified credit problems, delinquency levels and adequacy of collateral. Laurel Savings Bank's allowance for loan losses totaled \$2.0 million at March 31, 2006 or 0.9% of total net loans outstanding at such date. Laurel Savings Bank's management believes that its present allowance for losses is sufficient to cover all known and inherent losses in Laurel Savings Bank's loan portfolio that are both probable and reasonable to estimate. However, while management uses the best information available to make such determinations, future adjustments to the loan loss allowance may be necessary based on changes in economic and other conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Laurel Savings Bank's allowance for loan losses. Such agencies may require Laurel Savings Bank to recognize additions to such allowance based on their judgements about information available to them at the time of their examination.

Laurel Savings Bank's asset classification committee, consisting of the Vice President Risk Management, the Chief Executive Officer and the Senior Vice President-Chief Financial Officer, meets on at least a quarterly basis. The committee reviews all non-performing assets to determine the adequacy of reserves. Adjustments are made as needed and the committee's findings are summarized in a detailed report submitted to the board of trustees.

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The following table sets forth information concerning the allocation of Laurel Savings Bank's allowance for loan losses by loan category at the dates indicated.

	March 31,		June 30,									
	2006		2005		2004		2003		2002		2001	
	Percent of Loans in Each Category to	Amount Total Loans	Percent of Loans in Each Category to	Amount Total Loans	Percent of Loans in Each Category to	Amount Total Loans	Percent of Loans in Each Category to	Amount Total Loans	Percent of Loans in Each Category to	Amount Total Loans	Percent of Loans in Each Category to	Amount Total Loans
(Dollars in Thousands)												
Residential real estate (1)	\$ 1,114	55.7%	\$ 1,127	79.8%	\$ 917	73.2%	\$ 867	70.3%	\$ 973	76.4%	\$ 901	76.1%
Multi-family real estate	14	0.7%	18	0.7%	16	0.9%	26	1.4%	32	1.7%	29	1.6%
Commercial real estate	54	2.7%	67	2.1%	188	3.6%	148	2.8%	67	2.4%	83	2.7%
Consumer and other	818	40.9%	777	17.4%	911	22.3%	965	25.5%	731	19.5%	746	19.6%
Total	\$ 2,000	100.0%	\$ 1,989	100.0%	\$ 2,032	100.0%	\$ 2,006	100.0%	\$ 1,803	100.0%	\$ 1,759	100.0%

(1) Includes construction and development loans.

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Information regarding the contractual maturities and weighted average yield of Laurel Savings Bank's mortgage-backed securities portfolio at March 31, 2006 is presented below.

	Amounts at March 31, 2006 Which Mature in				Total
	One Year or Less	After One to Five Years	After Five to 10 Years	Over 10 Years	
(Dollars in Thousands)					
Mortgage-backed securities available for sale:					
GNMA	\$	\$ 22	\$ 43	\$ 481	\$ 546
Fannie Mae				5,827	5,827
Fannie Mae REMIC				1,659	1,659
Freddie Mac			65	1,615	1,680
Freddie Mac REMIC			114	33	147
Total	\$	\$ 22	\$ 222	\$ 9,615	\$ 9,859
Weighted average yield	0.00%	4.89%	5.08%	4.25%	4.27%

Mortgage-backed securities generally increase the quality of Laurel Savings Bank's assets by virtue of the insurance or guarantees that back them, are more liquid than individual mortgage loans and may be used to collateralize borrowings or other obligations of Laurel Savings Bank. At March 31, 2006, none of Laurel Savings Bank's mortgage-backed securities were pledged to secure obligations of Laurel Savings Bank.

The actual maturity of a mortgage-backed security may be less than its stated maturity due to prepayments of the underlying mortgages. Prepayments that are faster than anticipated may shorten the life of the security and adversely affect its yield to maturity. The yield is based upon the interest income and the amortization of any premium or discount related to the mortgage-backed security. In accordance with U.S. generally accepted accounting principles, premiums and discounts are amortized over the estimated lives of the loans, which decrease and increase interest income, respectively. The prepayment assumptions used to determine the amortization period for premiums and discounts can significantly affect the yield of the mortgage-backed security, and these assumptions are reviewed periodically to reflect actual prepayments. Although prepayments of underlying mortgages depend on many factors, including the type of mortgages, the coupon rate, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages and the general level of market interest rates, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of falling mortgage interest rates, if the coupon rate of the underlying mortgages exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security and the amortization of any premium or discount related to the security. Under such circumstances, Laurel Savings Bank may be subject to reinvestment risk because to the extent that Laurel Savings Bank's mortgage-backed securities amortize or prepay faster than anticipated, Laurel Savings Bank may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate.

Investment Securities. Laurel Savings Bank is authorized to invest in obligations issued or fully guaranteed by the United States, certain federal agency obligations, certain time deposits, negotiable certificates of deposit issued by commercial banks and other insured financial institutions, investment grade corporate debt securities and other specified investments. Investment decisions are made by authorized officers of Laurel Savings Bank within policies established by Laurel Savings Bank's board of trustees.

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The following table sets forth the composition and amortized cost of Laurel Savings Bank's investment securities at each of the dates indicated.

	March 31,	June 30,		
	2006	2005	2004	2003
(Dollars in Thousands)				
Investment securities held to maturity:				
U.S. Government Agency Notes	\$ 13,418	\$ 10,918	\$	\$
Corporate notes and commercial paper			12,210	9,207
Total	\$ 13,418	\$ 10,918	\$ 12,210	\$ 9,207
Investment securities available for sale:				
Municipal obligations	\$ 7,405	\$ 7,628	\$ 10,308	\$ 15,373
Shay Financial Services ARM Fund	24,629	23,931	23,274	22,785
Freddie Mac preferred stock	750	750	750	750
Fannie Mae stock	583	583	583	965
Freddie Mac stock	684	684	684	999
Corporate and U.S. government agency notes	8,508	10,459	10,517	3,135
CRA Qualified Investment Fund	1,000	1,000	1,000	1,000
Other	220	220	220	460
Total	\$ 43,779	\$ 45,255	\$ 47,336	\$ 45,467

The following table sets forth the composition and maturities of Laurel Savings Bank's investment securities portfolio at March 31, 2006.

	Amounts at March 31, 2006 Which Mature In				Total
	One Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years	
(Dollars in Thousands)					
Investment securities held to maturity:					
U.S. Government Agency Notes	\$	\$ 12,420	\$	\$ 998	\$ 13,418
Weighted average yield	0.00%	4.16%	0.00%	3.62%	4.12%
Investment securities available for sale:					
Municipal obligations	\$	\$	\$ 1,920	\$ 5,485	\$ 7,405
Shay Financial Services ARM Fund (1)	24,629				24,629
Freddie Mac preferred stock (1)	750				750
Fannie Mae stock (1)	583				583
Freddie Mac stock (1)	684				684
Corporate and U.S. government agency notes		5,000	508	3,000	8,508
CRA Qualified Investment Fund (1)	1,000				1,000

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Other	220				220
Total	\$ 27,866	\$ 5,000	\$ 2,428	\$ 8,485	\$ 43,779
Weighted average yield	4.25%	3.62%	6.45%	4.74%	4.39%

(1) Such investment securities have no stated contractual maturity.

Sources of Funds

General. Savings accounts and other types of deposits have traditionally been the principal source of Laurel Savings Bank's funds for use in lending and for other general business purposes. In addition to deposits, Laurel

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Savings Bank derives funds from loan repayments and maturities and repayments of investment and mortgage-backed securities. Borrowings may be used on a short-term basis to compensate for seasonal or other reductions in deposits or inflows at less than projected levels, as well as on a longer term basis to support expanded lending activities or asset/liability management.

Deposits. The types of deposits currently offered by Laurel Savings Bank include passbook and statement savings accounts, negotiable order of withdrawal accounts, money market deposit accounts, and certificates of deposit ranging in terms from 91 days to ten years. Included among these savings programs are individual retirement accounts and Keogh accounts. Historically, fixed-rate, fixed-term certificates have represented the primary source of deposits.

The following table sets forth the distribution of Laurel Savings Bank's deposits by type of deposit at the dates indicated.

	March 31,		June 30,					
	2006		2005		2004		2003	
	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits	Amount	% of Deposits
(Dollars in Thousands)								
Passbook and club accounts	\$ 41,104	15.9%	\$ 44,749	17.6%	\$ 46,790	19.0%	\$ 47,532	17.9%
NOW deposits	39,422	15.2%	39,263	15.4%	38,662	15.7%	42,390	16.0%
MMDA's	17,723	6.8%	18,406	7.2%	19,527	7.9%	19,106	7.2%
Fixed-rate certificates	119,509	46.2%	111,841	43.9%	101,743	41.4%	117,432	44.2%
IRA and Keogh accounts (1)	41,052	15.9%	40,632	15.9%	39,457	16.0%	39,120	14.7%
Total	\$ 258,810	100.0%	\$ 254,891	100.0%	\$ 246,179	100.0%	\$ 265,580	100.0%

(1) IRA and Keogh accounts consist of fixed-rate certificates

The large variety of savings accounts offered by Laurel Savings Bank has increased Laurel Savings Bank's ability to retain deposits and allowed it to be more competitive in obtaining new funds, but has not eliminated the threat of disintermediation (the flow of funds away from savings institutions into direct investment vehicles such as government and corporate securities). In addition, Laurel Savings Bank has become increasingly sensitive to short-term fluctuations in deposit flows, due to customers becoming more rate conscious. As customers have become more rate conscious and willing to move funds into higher yielding accounts, the ability of Laurel Savings Bank to attract and maintain deposits and Laurel Savings Bank's cost of funds have been, and will continue to be, significantly affected by market conditions.

The following table sets forth information relating to Laurel Savings Bank's deposit flows during the periods indicated.

	March 31,	June 30,		
	2006	2005	2004	2003

		_____	_____	_____
		(Dollars In Thousands)		
Increase (decrease) before interest credited	\$ 1,005	\$ 4,666	(\$ 23,344)	(\$ 6,319)
Interest credited	2,914	4,046	3,943	5,268
Deposits acquired				41,212
	_____	_____	_____	_____
Total increase (decrease)	\$ 3,919	\$ 8,712	(\$ 19,401)	\$ 40,161
	_____	_____	_____	_____

The principal methods used by Laurel Savings Bank to attract deposits include the offering of a wide variety of services and accounts, competitive interest rates, and convenient office locations and service hours. Laurel Savings Bank uses traditional marketing methods to attract new customers and deposits, including mass media advertising and direct mailings. The development of new deposit accounts and services over the years has

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enhanced Laurel Savings Bank's deposit gathering function. Laurel Savings Bank has also adopted a tiered pricing program for its certificate accounts, providing higher rates of interest on its long-term certificates in order to encourage depositors to invest in certificates with longer maturities, thus reducing the interest-rate sensitivity of Laurel Savings Bank's deposit portfolio.

Laurel Savings Bank's deposits are obtained primarily from persons who are residents of Pennsylvania, particularly Allegheny and Butler counties. Laurel Savings Bank does not advertise for deposits outside of Pennsylvania and management believes that an insignificant amount of Laurel Savings Bank's deposits were held by nonresidents of Pennsylvania at March 31, 2006. Laurel Savings Bank has not used brokers to obtain funds to date and management of Laurel Savings Bank does not intend to utilize brokers to obtain such deposits in the future.

The following table presents, by various interest rate categories, the amounts of certificates of deposit at March 31, 2006 and June 30, 2005 and 2004, as well as the amounts which mature during the periods indicated.

	March 31,	As of June 30,		Amount at March 31, 2006 maturing in the year			
	2006	2005	2004	ending March 31,			
				2007	2008	2009	Thereafter
(Dollars in Thousands)							
Certificate Accounts:							
0.00% to 1.99%	\$ 3,190	\$ 13,378	\$ 43,651	\$ 3,161	\$	\$ 29	\$
2.00% to 3.99%	70,940	94,201	55,598	53,794	12,526	3,202	1,418
4.00% to 5.99%	82,270	39,461	35,004	24,415	24,093	9,731	24,031
6.00% to 7.99%	4,161	5,433	6,947	487	467	255	2,952
Total	\$ 160,561(1)	\$ 152,473(1)	\$ 141,200(1)	\$ 81,857	\$ 37,086	\$ 13,217	\$ 28,401

(1) Includes IRA and Keogh accounts.

Laurel Savings Bank has attempted to encourage certificate holders to invest the proceeds of their maturing certificates in longer term certificates of deposit by offering commensurately higher interest rates in order to reduce the vulnerability of Laurel Savings Bank to interest rate risk. To ensure a continuity of this trend, as well as to maintain adequate deposit levels, Laurel Savings Bank expects to offer competitive rates relative to its marketplace. Laurel Savings Bank is confident that by competitively pricing these certificates, balance levels deemed appropriate by management can be achieved on a continuing basis. If necessary, Laurel Savings Bank also has the capacity to borrow from the FHLB of Pittsburgh and from other sources to maintain adequate liquidity.

As of March 31, 2006, certificates of deposit in amounts of \$100,000 or more in Laurel Savings Bank amounted to \$23.7 million. The following table sets forth as of March 31, 2006 the distribution of certificates of deposit of \$100,000 or more by time remaining to maturity.

Amount
(Dollars in
Thousands)

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Three months or less	\$ 912
Over three through six months	3,991
Over six through 12 months	6,421
Over 12 months	12,419
	<hr/>
Total	\$ 23,743
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The following table presents information concerning deposit accounts at March 31, 2006, including the weighted average rate and the scheduled maturity of certificates of deposit.

	Dollar Amounts (In Thousands)	% of Total Deposits	Weighted Average Rate
Passbook and club accounts	\$ 41,104	15.9%	0.20%
Now deposits	39,422	15.2	0.05
MMDA s	17,723	6.8	0.55
Total	98,249	37.9	0.20
Certificates maturing by quarter:			
June 30, 2006	16,389	6.3	2.80
September 30, 2006	21,682	8.4	3.42
December 31, 2006	27,943	10.8	3.55
March 31, 2007	15,844	6.1	3.71
June 30, 2007	16,712	6.5	4.4
September 30, 2007	9,690	3.8	4.17
December 31, 2007	3,983	1.5	3.74
March 31, 2008	6,699	2.6	4.16
June 30, 2008	8,270	3.2	4.58
September 30, 2008	2,322	0.9	4.07
December 31, 2008	1,282	0.5	4.03
March 31, 2009	1,342	0.5	4.37
Thereafter	28,403	11.0	4.89
Total certificate accounts	160,561	62.1	3.94
Total deposits	\$ 258,810	100.0%	2.52%

Borrowings. Laurel Savings Bank may obtain advances from the FHLB of Pittsburgh upon the security of the capital stock of the FHLB which it owns, deposits with the FHLB of Pittsburgh and certain of its home mortgages, provided certain standards related to creditworthiness are met. Such advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. FHLB advances are generally available to meet seasonal and other withdrawals of savings accounts and to expand lending, as well as to aid the efforts of members to establish better asset/liability management by extending the maturities of liabilities. At March 31, 2006 and June 30, 2005, 2004 and 2003, Laurel Savings Bank had \$21.6 million, \$21.6 million, \$21.6 million and \$24.7 million, respectively, of FHLB advances outstanding.

The following table presents certain information regarding FHLB advances for the periods indicated:

Nine Months Ended March 31,	Year Ended June 30,		
2006(1)	2005	2004	2003
(Dollars in Thousands)			

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FHLB advances:

Average balance outstanding	\$ 21,599	\$ 21,605	\$ 22,716	\$ 22,372
Maximum amount outstanding at any month-end during the period	\$ 21,602	\$ 21,609	\$ 24,659	\$ 24,700
Weighted average interest rate during the period	5.82%	5.82%	5.57%	5.70%
Amount outstanding at the end of the period	\$ 21,597	\$ 21,602	\$ 21,609	\$ 24,672
Weighted average rate at the end of the period	5.82%	5.82%	5.82%	5.26%

(1) All advances reflected have maturities greater than one year, the earliest of which is February 20, 2008.

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Many financial institutions obtain funds from sales of securities to institutional investors under agreements to repurchase, which are considered borrowings. Laurel Savings Bank has not utilized and has no present intention to utilize institutional repurchase agreements as a source of funds.

Subsidiaries

Laurel Savings Bank has two wholly owned subsidiaries, Laurel Financial Group, Inc., and Laurel Financial Services Corporation (LFSC). LFG is a Delaware business corporation formed in June 2002 to invest in single-family residential loans and investment securities that Laurel Savings Bank is permitted to hold directly under the Pennsylvania Banking Code of 1965, as amended (the Banking Code). At March 31, 2006, LFG had assets of approximately \$12.4 million which consisted primarily of single-family residential loans and U.S. Government Agency Notes. LFSC is currently inactive. At March 31, 2006, LFSC had no assets or liabilities.

Employees

Laurel Savings Bank had 58 full-time employees and 13 part-time employees as of March 31, 2006. None of the employees are represented by a collective bargaining agreement, and Laurel Savings Bank believes it enjoys good relations with its personnel.

Competition

Laurel Savings Bank's primary market area consists of Allegheny and Butler counties in Pennsylvania, in the north suburban Pittsburgh area. Substantially all of Laurel Savings Bank's savings deposits are received from residents of its primary market area, and most of its loans are secured by properties in this area.

Laurel Savings Bank faces substantial competition both in attracting deposits and in making mortgage and other loans in its primary market area. Competition for the origination of real estate loans principally comes from other savings institutions, commercial banks and mortgage-banking companies located in its market area. Laurel Savings Bank's most direct competition for deposits has historically also come from other savings institutions, commercial banks and credit unions located in its market area. In times of high interest rates, Laurel Savings Bank also encounters significant competition for investors' funds from short-term money market securities and other corporate and government securities.

Laurel Savings Bank competes for loans principally through the use of competitive interest rates and loan fees it charges on its loan programs. Further, Laurel Savings Bank believes it offers a high degree of professionalism and quality in the services it provides borrowers and their real estate brokers. Laurel Savings Bank competes for deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, and convenient branch locations with inter-branch deposit and withdrawal privileges at each.

Regulation of Laurel Capital and Laurel Savings Bank

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The following is a summary of certain statutes and regulations affecting Laurel Capital and Laurel Savings Bank. This summary is qualified in its entirety by such statutes and regulations. A change in applicable laws or regulations may have a material effect on Laurel Capital, Laurel Savings Bank and the business of Laurel Capital and Laurel Savings Bank.

Laurel Capital

General. Laurel Capital is a registered bank holding company pursuant to the Bank Holding Company Act of 1956, as amended (the "BHCA"). Laurel Capital is subject to regulation and supervision by the Federal

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Reserve Board and the Pennsylvania Department of Banking. Laurel Capital is required to file annually a report of its operations with, and is subject to examination by, the Federal Reserve Board and the Pennsylvania Department of Banking.

BHCA Activities and Other Limitations. The BHCA prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank, or increasing such ownership or control of any bank, without prior approval of the Federal Reserve Board. The BHCA also generally prohibits a bank holding company from acquiring any bank located outside of the state in which the existing bank subsidiaries of the holding company are located unless specifically authorized by applicable state law. Pennsylvania banking law permits the interstate acquisition of banking institutions by bank holding companies on a regional and reciprocal basis. See Laurel Savings Bank Interstate Acquisitions. No approval under the BHCA is required, however, for a bank holding company already owning or controlling 50% of the voting shares of a bank to acquire additional shares of such bank.

The BHCA also prohibits a bank holding company, with certain exceptions, from acquiring more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks. Under the BHCA, the Federal Reserve Board is authorized to approve the ownership of shares by a bank holding company in any company, the activities of which the Federal Reserve Board has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto. In making such determinations, the Federal Reserve Board is required to weigh the expected benefit to the public, such as greater convenience, increased competition or gains in efficiency, against the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices.

The Federal Reserve Board has by regulation determined that certain activities are closely related to banking within the meaning of the BHCA. These activities include operating a mortgage company, finance company, credit card company, factoring company, trust company or savings association; performing certain data processing operations; providing limited securities brokerage services; acting as an investment or financial advisor; acting as an insurance agent for certain types of credit-related insurance; leasing personal property on a full-payout, non-operating basis; providing tax planning and preparation services; operating a collection agency; and providing certain courier services. The Federal Reserve Board also has determined that certain other activities, including real estate brokerage and syndication, land development, property management and underwriting of life insurance not related to credit transactions, are not closely related to banking and a proper incident thereto.

Capital Requirements. The Federal Reserve Board has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company and in analyzing applications to it under the BHCA. The Federal Reserve Board capital adequacy guidelines generally require bank holding companies to maintain total capital equal to 8% of total risk-adjusted assets, with at least one-half of that amount consisting of Tier I or core capital and up to one-half of that amount consisting of Tier II or supplementary capital. Tier I capital for bank holding companies generally consists of the sum of common stockholders' equity and perpetual preferred stock (subject in the case of the latter to limitations on the kind and amount of such stocks which may be included as Tier I capital), less goodwill. Tier II capital generally consists of hybrid capital instruments; perpetual preferred stock which is not eligible to be included as Tier I capital; term subordinated debt and intermediate-term preferred stock; and, subject to limitations, general allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no additional capital) for assets such as cash to 100% for the bulk of assets which are typically held by a bank holding company, including multi-family residential and commercial real estate loans, commercial business loans and consumer loans. Single-family residential first mortgage loans which are not (90 days or more) past-due or non-performing and which have been made in accordance with prudent underwriting standards are assigned a 50% level in the risk-weighting system, as are certain privately-issued mortgage-backed securities representing indirect ownership of such loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

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In addition to the risk-based capital requirements, the Federal Reserve Board requires bank holding companies to maintain a minimum leverage capital ratio of Tier I capital to total assets of 3.0%. Total assets for this purpose does not include goodwill and any other intangible assets and investments that the Federal Reserve Board determines should be deducted from Tier I capital. The Federal Reserve Board has announced that the 3.0% Tier I leverage capital ratio requirement is the minimum for the top-rated bank holding companies without any supervisory, financial or operational weaknesses or deficiencies or those which are not experiencing or anticipating significant growth. Other bank holding companies will be expected to maintain Tier I leverage capital ratios of at least 4.0% to 5.0% or more, depending on their overall condition.

At March 31, 2006, Laurel Capital had Tier 1 capital of \$25.1 million or 8.14%, Tier 1 Risk-Based capital of \$25.1 million or 15.39% and Total Risk-Based capital of \$27.1 million or 16.62%, all of which were in compliance with the above-described Federal Reserve Board regulatory capital requirements.

Laurel Savings Bank

General. Laurel Savings Bank is incorporated under the Pennsylvania Banking Code and is subject to extensive regulation and examination by the Pennsylvania Department of Banking and by the FDIC, which insures its deposits to the maximum extent permitted by law, and is subject to certain requirements established by the Federal Reserve Board. The federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for certain loans. There are periodic examinations by the Pennsylvania Department of Banking and the FDIC to test Laurel Savings Bank's compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Pennsylvania Department of Banking, the FDIC or the Congress could have a material adverse impact on Laurel Capital, Laurel Savings Bank and their operations.

FDIC Insurance Premiums. The deposits of Laurel Savings Bank are insured to the maximum extent permitted by the Deposit Insurance Fund, which is administered by the FDIC, and are backed by the full faith and credit of the U.S. Government. As insurer, the FDIC is authorized to conduct examination of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings institutions.

The FDIC may terminate the deposit insurance of any insured depository institution, including Laurel Savings Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances which would result in termination of Laurel Savings Bank's deposit insurance.

In addition, all institutions with deposits insured by the Federal Deposit Insurance Corporation are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize the predecessor to the Savings Association Insurance Fund. The assessment rate for the first quarter of 2006 was .00320% of insured deposits and is adjusted quarterly. These assessments will continue until the Financing Corporation bonds mature in 2019.

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Capital Requirements. The FDIC has promulgated regulations and adopted a statement of policy regarding the capital adequacy of state-chartered banks which, like Laurel Savings Bank, are not members of the Federal Reserve System. These requirements are substantially similar to those adopted by the Federal Reserve Board regarding bank holding companies, as described above.

The FDIC's capital regulations establish a minimum 3.0% Tier I leverage capital requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively will increase the minimum Tier I leverage ratio for such other banks to 4.0% to 5.0% or more. Under the FDIC's regulation, highest-rated banks are those that the FDIC determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, which are considered a strong banking organization and are rated composite 1 under the Uniform Financial Institutions Rating System. Leverage or core capital is defined as the sum of common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, and minority interests in consolidated subsidiaries, minus all intangible assets other than certain qualifying supervisory goodwill, and certain purchased mortgage servicing rights and purchased credit and relationships.

The FDIC also requires that savings banks meet a risk-based capital standard. The risk-based capital standard for savings banks requires the maintenance of total capital (which is defined as Tier I capital) and supplementary (Tier 2 capital) to risk weighted assets of 8%. In determining the amount of risk-weighted assets, all assets, plus certain off balance sheet assets, are multiplied by a risk-weight of 0% to 100%, based on the risks the FDIC believes are inherent in the type of asset or item.

The components of Tier I capital are equivalent to those discussed above under the 3% leverage standard. The components of Tier 2 capital include certain perpetual preferred stock, certain mandatory convertible securities, certain subordinated debt and intermediate preferred stock and general allowances for loan and lease losses. Allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of capital counted toward supplementary capital cannot exceed 100% of core capital. At March 31, 2006, Laurel Savings Bank exceeded each of its capital requirements.

The following table sets forth certain information concerning Laurel Savings Bank's regulatory capital at March 31, 2006.

	Tier I Core Capital	Tier I Risk-Based Capital	Tier II Risk-Based Capital
	(Dollars in Thousands)		
Equity capital (1)	\$ 24,114	\$ 24,114	\$ 24,114
Plus general valuation allowances (2)			2,000
Plus allowable unrealized gains			0
Total regulatory capital	24,114	24,114	26,114
Minimum required capital	12,330	6,526	13,051
Excess regulatory capital	\$ 11,784	\$ 17,588	\$ 13,063
Regulatory capital as a percentage (3)	7.82%	14.78%	16.01%
Minimum required capital percentage	4.00	4.00	8.00

Excess regulatory capital percentage	3.82%	10.78%	8.01%
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- (1) Represents equity capital of Laurel Savings Bank as reported to the Federal Financial Institutions Examination Council and the Pennsylvania Department of Banking for the quarter ended March 31, 2006.
 - (2) Limited to 1.25% of risk-adjusted assets.
 - (3) Tier 1 capital is calculated as a percentage of adjusted total average assets of \$308.3 million. Tier 1 and Total risk-based capital are calculated as a percentage of adjusted risk-weighted assets of \$163.1 million.

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Laurel Savings Bank is also subject to more stringent Pennsylvania Department of Banking capital guidelines. Although not adopted in regulation form, the Pennsylvania Department of Banking utilizes capital standards requiring a minimum of 6% leverage capital and 10% risk-based capital. The components of leverage and risk-based capital are substantially the same as those defined by the FDIC.

Activities and Investments of Insured State-Chartered Banks. The activities and equity investments of FDIC-insured, state-chartered banks are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things, (i) acquiring or retaining a majority interest in a subsidiary, (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of Laurel Savings Bank's total assets, (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions, and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. In addition, an insured state-chartered bank may not, directly, or indirectly through a subsidiary, engage as principal in any activity that is not permissible for a national bank unless the FDIC has determined that such activities would pose no risk to the insurance fund of which it is a member and Laurel Savings Bank is in compliance with applicable regulatory capital requirements.

Pennsylvania Savings Bank Law. The Banking Code contains detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers, employees and members, as well as corporate powers, savings and investment operations and other aspects of the Savings Bank and its affairs. The Banking Code delegates extensive rulemaking power and administrative discretion to the Pennsylvania Department of Banking so that the supervision and regulation of state-chartered savings banks may be flexible and readily responsive to changes in economic conditions and in savings and lending practices.

One of the purposes of the Banking Code is to provide savings banks with the opportunity to be competitive with each other and with other financial institutions existing under other Pennsylvania laws and other state, federal and foreign laws. A Pennsylvania savings bank may locate or change the location of its principal place of business and establish an office anywhere in the Commonwealth, with the prior approval of the Pennsylvania Department of Banking.

The Pennsylvania Department of Banking generally examines each savings bank not less frequently than once every two years. Although the Pennsylvania Department of Banking may accept the examinations and reports of the FDIC in lieu of the Pennsylvania Department of Banking's examination, the present practice is for the Pennsylvania Department of Banking to conduct individual examinations. The Pennsylvania Department of Banking may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any trustee, officer, attorney or employee of a savings bank engaged in an objectionable activity, after the Pennsylvania Department of Banking has ordered the activity to be terminated, to show cause at a hearing before the Pennsylvania Department of Banking why such person should not be removed.

Interstate Acquisitions. The Commonwealth of Pennsylvania has enacted legislation regarding the acquisition of commercial banks, bank holding companies, savings banks and savings and loan associations located in Pennsylvania by institutions located outside of Pennsylvania. The statute dealing with savings institutions authorizes (i) a savings bank, savings and loan association or holding company thereof located in Delaware, the District of Columbia, Indiana, Kentucky, Maryland, New Jersey, Ohio, Virginia and West Virginia (collectively, regional institutions) to acquire the voting stock of, merge or consolidate with, or purchase assets and assume liabilities of, a Pennsylvania-chartered savings bank, (collectively, Pennsylvania institutions) and (ii) the establishment of branches in Pennsylvania by regional institutions, in each case subject to certain conditions including reciprocal legislation in the state in which the regional institution seeking entry into

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Pennsylvania is located permitting comparable entry by Pennsylvania institutions and approval by the Pennsylvania Department of Banking. The statute also provides for nationwide branching by Pennsylvania-chartered savings banks and savings and loan associations, subject to Pennsylvania Department of Banking approval and certain other conditions. Of the states within the region, Delaware, Maryland, New Jersey, Ohio and West Virginia currently have laws that permit Pennsylvania institutions to branch into such states and/or acquire savings institutions located in such states.

Taxation

Laurel Capital and Laurel Savings Bank are subject to federal income tax under the Internal Revenue Code of 1986, as amended (the Code), in the same general manner as other corporations. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to Laurel Capital and Laurel Savings Bank.

Fiscal Year. Laurel Capital and Laurel Savings Bank file consolidated federal income tax returns on the basis of a fiscal year ending on June 30.

Accrual Method of Accounting. For federal income tax purposes, Laurel Capital and Laurel Savings Bank currently report income and expenses on the accrual basis method of accounting.

Bad Debt Reserves. Savings institutions such as Laurel Savings Bank, having average adjusted assets of less than \$500 million are allowed to utilize the experience method of Code Section 585 to compute its bad debt deduction.

The experience method permits Laurel Savings Bank to deduct an amount necessary to increase its reserve for loan losses, with certain limitations, to a level computed using a six-year moving average based on the total loans outstanding at the close of the taxable year. Laurel Savings Bank may also use the specific charge-off method.

The bad debt deduction under the experience method is equal to the greater of two alternatives. Under the first alternative, Laurel Savings Bank computes the ratio of: (1) total bad debts net of recoveries sustained during the taxable year and during the five preceding taxable years; to (2) the sum of loan outstanding at the close of each of those six years. This ratio is then applied to the loans outstanding at the close of the taxable year, and the result of this calculation constitutes the maximum reserve balance. The maximum addition for the taxable year under the first alternative is the amount required to bring the reserve to this balance. Under the second alternative (referred to as the minimum addition rule), Laurel Savings Bank can claim a deduction to bring the reserve balance to the base-year level. At March 31, 2006, Laurel Savings Bank had base year bad debt deductions of \$2.6 million. No provision for federal income tax has been made for such amount.

Distributions. If Laurel Savings Bank makes a distribution to Laurel Capital as its sole stockholder, and the distribution is treated as being from its accumulated bad debt reserves, the distribution will cause Laurel Savings Bank to have additional taxable income. A distribution to stockholders is deemed to have been made from accumulated bad debt reserves to the extent that (a) the reserves exceed the amount that would have been accumulated on the basis of actual loss experience, and (b) the distribution is a non-dividend distribution. A distribution in respect of stock is a non-dividend distribution to the extent that, for federal income tax purposes, (i) it is in redemption of shares, (ii) it is pursuant to a liquidation of the institution, or (iii) in the case of a current distribution, together with all other such distributions during the taxable year, exceeds Laurel Savings Bank's current and post-1951 accumulated earnings and profits. The amount of additional taxable income created by a non-dividend distribution is an amount that when reduced by the tax attributable to it is equal to the amount of the distribution.

Minimum Tax. The Code imposes the corporate minimum tax from an add-on tax to an alternative minimum tax at a rate of 20%. The alternative minimum tax generally will apply to a base of regular taxable

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income plus certain tax preferences (alternative minimum taxable income or AMTI) and will be payable to the extent such AMTI is in excess of an exemption amount. The Code provides that an item of tax preference is the excess of the bad debt deduction over the amount allowable under the experience method. The other items of tax preference that constitute AMTI include (a) tax-exempt interest on newly-issued (generally, issued on or after August 8, 1986) private activity bonds other than certain qualified bonds and (b) 75% of the excess (if any) of (i) 75% of adjusted current earnings as defined in the Code, over (ii) AMTI (determined without regard to this preference and prior to reduction by net operating losses).

Net Operating Loss Carryovers. For tax years ending after August 5, 1997, financial institutions like Laurel Savings Bank may carry back a net operating loss (NOL) to the preceding two taxable years and forward to the succeeding 20 taxable years. As of March 31, 2006, Laurel Savings Bank had a NOL carryover of approximately \$179,000 for federal income tax purposes. This NOL was acquired as part of the acquisition of SFSB Holding Company which occurred during fiscal 2003 and it will expire if unused in 2022.

Capital Gains and Corporate Dividends-Received Deduction. Corporate net capital gains are taxed at a maximum rate of 34%. The corporate dividends-received deduction is 80% in the case of dividends received from corporations with which a corporate recipient does not file a consolidated tax return, however, if a corporation owns less than 20% of the stock of a corporation distributing a dividend, it may deduct only 70% of dividends received or accrued on its behalf. A corporation may deduct 100% of dividends from a member of the same affiliated group of corporations.

Laurel Capital's federal income tax returns for its tax years beginning after June 30, 2001 and subsequent periods are open under the statute of limitations and are subject to review by the Internal Revenue Service.

State Taxation. Laurel Capital is subject to the Corporate Net Income Tax and the Capital Stock Tax of the Commonwealth of Pennsylvania. Dividends received from Laurel Savings Bank qualify for a 100% dividends-received deduction and are not subject to Corporate Net Income Tax. In addition, Laurel Capital's investments in its subsidiaries qualify as exempt intangible assets and greatly reduce the amount of Capital Stock Tax assessed.

Laurel Savings Bank is subject to the Mutual Thrift Institutions Tax of the Commonwealth of Pennsylvania based on Laurel Savings Bank's financial net income determined in accordance with generally accepted accounting principles with certain adjustments. The tax rate under the Mutual Thrift Institutions Tax is 11.5%. Interest on state and federal obligations is excluded from net income. An allocable portion of interest expense incurred to carry the obligations is disallowed as a deduction. The Mutual Thrift Institutions Tax exempts Laurel Savings Bank from other taxes imposed by the Commonwealth of Pennsylvania for state income tax purposes and from all local taxation imposed by political subdivisions, except taxes on real estate and real estate transfers. The Mutual Thrift Institutions Tax is a tax upon net earnings, determined in accordance with generally accepted accounting principles with certain adjustments. The Mutual Thrift Institutions Tax, in computing income according to generally accepted accounting principles, allows for the deduction of interest earned on state and federal obligations, while disallowing a percentage of a thrifts interest expense deduction in the proportion of interest income on those securities to the overall interest income of Laurel Savings Bank. Net operating losses, if any, thereafter can be carried forward three years for Mutual Thrift Institutions Tax purposes.

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Properties

The following table sets forth certain information as of March 31, 2006 with respect to the offices of Laurel Capital and Laurel Savings Bank.

<u>Location</u>	<u>Owned or Leased</u>	<u>Lease Expiration Date</u>	<u>Net Book Value of Property or Leasehold Improvements as of March 31, 2006</u>

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