The Power of Total Solutions

First Commonwealth Financial Corporation

2000 Annual Report

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Message to Shareholders

Net income for the year 2000 declined from a record $53 million in 1999 to $47.2 million. Much of the difference for 2000 was the result of gains on the sale of loans which were realized during 1999. Higher funding costs throughout the year also reduced the net interest margin and slowed overall growth.

Overall financial performance, while below our expectations, was still solid. Return on average assets was 1.10%. Return on average equity was 15.65% which represents our best result ever on this important measure.

The stock market continued to exhibit extreme volatility throughout the year. The financial service sector generally bottomed out in the first half with subsequent stronger performance as more investors moved toward value stocks. Recent interest rate reductions and increased consolidation activity have combined to provide a solid base for additional improvement in share value.

First Commonwealth has once again increased the quarterly cash dividend for 2001 providing a very strong yield for our investors. In fact, recent yields have exceeded the return available from most alternative investments such as treasury bonds, bank certificates of deposit, most equities and many mutual funds. A dependable and substantial dividend greatly enhances the value of any investment in these times of market instability.

Much of our effort this past year has been devoted to building the structure necessary to support the integrated advisory sales model. The creation of a Growth Unit at the Corporate level has accelerated the product integration between our Banks, Insurance Agency and Trust Company. A great deal of time and resource has been dedicated to training our employees in the specific skills that make this integrated advisory business model beneficial for our clients.

The following pages highlight how an employee team delivers value through our "Total Solutions Financial Management" approach to our commercial clients. The response of our small business clients to this team driven/solution oriented process has been extremely positive. The growth team has adopted a motto to describe this process, "Listen-Advise-Sell-Support".

Commonwealth Systems Corporation continues to strengthen our infrastructure through the installation of an entirely new operating platform. They have completed a number of application conversions on schedule with remaining

"We must carefully protect the strength of the fine organization we have built while simultaneously creating the new organization we know we must become."

applications staged over the rest of the year. Once completed our clients will benefit from better product features while the Corporation will benefit from more cost effective systems.

The evolution of our new online delivery channel also continues. Our bill presentment and payment solution designated as "WebPay" has been recently introduced at our web sites. This convenient new service has been received enthusiastically by our customers. WebPay is being introduced through a terrific six month "try it, you'll like it" free trial offer. A link has also been established to provide "Quicken TurboTax for the Web," the #1 web-based tax preparation program. You can check out these features and many other innovative features at either www.fcfbank.com or www.swbank.com.

Two of the most dedicated members of our Board of Directors have decided not to seek re-election this year. Dave Irvin and Tom Delaney have been affiliated with this Corporation since 1980 and 1967 respectively. They have served First Commonwealth well over these many years. Their contributions will be long remembered and appreciated.

First Commonwealth is very much a work in progress. We must carefully protect the strength of the fine organization we have built while simultaneously creating the new organization we know we must become. My confidence in our ability to successfully make this transition is built on my confidence in the 1,600 employees who are First Commonwealth. I again want to thank all our shareholders for their continued confidence and support.

Joseph E. O'Dell
President & Chief Executive Officer

The Relationship Comes First

At all First Commonwealth Financial Corporation (FCFC) affiliates, we value our relationships with our clients above anything else for it is these strong relationships that provide for a sustainable return to our shareholders. Relationships fuel the power of Total Solutions Financial Management—a strategy that marshals FCFC's products, services, and professional staff and unites them into a comprehensive financial service offering. Through financial guidance, we focus unique comprehensive solutions to each client's financial needs. This approach creates long-lasting relationships based on trust. Our Relationship Manager reaches out to our client providing them with their own personal financial advisor. For example, when Jack B. Piatt, Chairman of Millcraft Industries, wanted to build a hotel, he turned to Rob Rogers at Southwest Bank, a man he had worked with for ten years, a man from his hometown whom he calls his "friend and business partner." He knew Rob would give him trustworthy advice and would customize a plan for him from FCFC's complete range of financial services. "It's quality service, and it's complete service," Jack said. "It's one-stop banking."

Rob Rogers, Relationship Manager, greets his friend and client, Jack B. Piatt. "In his own business, Jack gets the job done, and that's what we do for him."

The Power of Total Solutions Teamwork

Jim Miller
Commercial Insurance Representative

One day Rob called me and said we were partnering with Jack on the construction of a hotel. I then met with Jack's Chief Financial Officer, Rich Miller, to get a clear picture of their insurance needs. After working the numbers and researching the options, I was able to tailor for them the exact coverage they needed for lower costs.

Wayne Freed
Vice President
Corporate Services Officer

Rob told me that Jack wanted to apply for a Rural Economic Credit Development Authority guarantee for his hotel construction. I did the preparation and we got the guarantee. It took the risk out of the loan, which thrilled Jack, and it secured employment and development for Washington County. My job is great because we make a positive difference in people's lives.

Janet Zombek
Vice President/
Regional Manager

Rob took me over one day to meet with Jack and discuss the banking needs of his future hotel employees. Because of Jack's relationship with us, we can offer preferred pricing to his employees, and they in turn become valued customers. I strive to know everyone on a first-name basis. Here, we take pride in treating all our customers as individuals.

Doug Craig
Financial Consultant

Rob invited me to go with him to their corporate headquarters at Southpointe and meet with Jack about implementing a new pension plan for his Millcraft Industry employees. After meeting with him, I drew up a cost analysis that showed he could outperform his current plan and save on pension management. Service really is our top priority, and that's why I like working here.

Matt Korosi
Cash Management/
Merchant Card Manager

Rob described the hotel construction to me and took me to meet with Jack and Rich, his Chief Financial Officer. Jack asked me to design a credit card acceptance program compatible with their front desk software. I set up a system from front-desk acceptance all the way to when the hotel gets paid. I've been working with Jack for two years now and check in frequently to make sure I'm doing all I can for him.

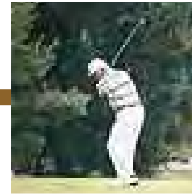
Rob Rogers
Relationship Manager

Joe Brennan
Vice President/Corporate Services Officer

Rob introduced me to Jack and I helped coordinate the constructibility review, prepare the construction draw schedule, and monitor advances. I spend a lot of time out on the construction site and coordinating the advances as construction proceeds. We believe in going to the client for face-to-face contacts. In a way, you could say we make house calls. It shows our commitment to putting the client at ease.

Rebecca Davidson
Vice President/Corporate Services Officer

What works so well about Total Solutions Financial Management is that it's a process by which we get to know our customers, identify their actual needs, and provide them with truly valuable financial solutions. It's rewarding for everyone involved. Customers like Jack keep coming back as their needs and circumstances change. We are all in this for the long term. At FCFC, we build powerful relationships.



Jack B. Piatt, Chairman of Millcraft Industries, turns to his Relationship Manager, Rob Rogers for financial advice and a full range of services. Because Rob and the entire FCFC team are working for Jack, he has more time to relax at home, practice his golf swing in Palm Beach and spend more time with his grandson, Miller.

E. H. Brubaker

Sumner E. Brumbaugh

Ray T. Charley

Edward T. Côté

Clayton C. Dovey, Jr.

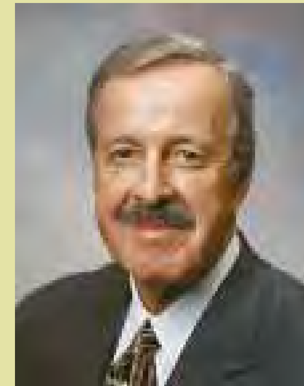
Ronald C. Geiser

Johnston A. Glass

Thomas J. Hanford

David L. Johnson

Robert F. Koslow

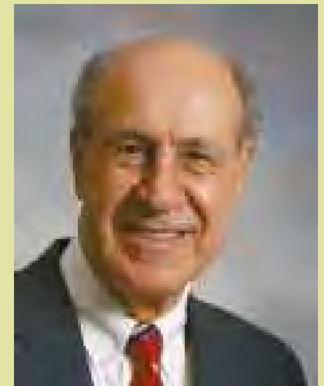

Dale P. Latimer

James W. Newill

John A. Robertshaw, Jr.

Laurie Stern Singer

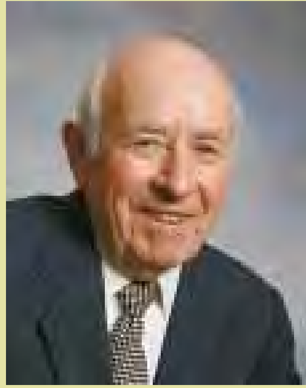
David R. Tomb, Jr., Esq.


E. James Trimarchi

David S. Dahlmann

Thomas L. Delaney

H. H. Heilman, Jr., Esq.


David F. Irvin

Joseph E. O'Dell

Joseph W. Proske

Robert C. Williams

Board of Directors

E. H. Brubaker *Rockton*
Retired, Former Chairman of the Board, Deposit Bank, DuBois

Sumner E. Brumbaugh *Duncansville*
Former Chairman of the Board, Central Bank, Hollidaysburg

Ray T. Charley *Greensburg*
President, Thomi Co.

Edward T. Côté *Rector*
Associate, The Wakefield Group, Murrysville

David S. Dahlmann *Greensburg*
Vice Chairman, First Commonwealth Financial Corporation and President and Chief Executive Officer, Southwest Bank, Greensburg

Thomas L. Delaney *Jupiter, FL*
Private Investor

Clayton C. Dovey, Jr. *Johnstown*
Retired, Former Chairman of the Board, Cenwest Bank, Johnstown

Ronald C. Geiser *Johnstown*
Retired, Former President and Chief Executive Officer, Cenwest Bank, Johnstown

Johnston A. Glass *Indiana*
Vice Chairman, First Commonwealth Financial Corporation, and President and Chief Executive Officer, First Commonwealth Bank, Indiana

Thomas J. Hanford *Boca Raton, FL*
Private Investor

H. H. Heilman, Jr., Esq. *Manorville*
Attorney at Law, Heilman and McClister, Kittanning

David F. Irvin *Indiana*
Owner, The Irvin-McKelvy Co., Indiana

David L. Johnson *Havertown*
Retired, Former Vice President and Corporate Secretary, Pennsylvania Manufacturer's Corporation, Philadelphia

Robert F. Koslow *New Castle*
Chairman of the Board, Peoples Bank of Western Pennsylvania, New Castle

Dale P. Latimer *New Alexandria*
Chairman of the Board, R & L Development Co., New Alexandria

James W. Newill *Boca Raton, FL*
Certified Public Accountant, Former President, J.W. Newill Company

Joseph E. O'Dell *Indiana*
President and Chief Executive Officer, First Commonwealth Financial Corporation, Indiana

Joseph W. Proske *Ridgway*
Retired, Former Vice President-Engineering, Kane Magnetics International, Kane

John A. Robertshaw, Jr. *Greensburg*
Former Chairman, Laurel Vending, Inc.

Laurie Stern Singer *Allison Park*
President, Allegheny Valley Chamber of Commerce and Allegheny Valley Development Corporation

David R. Tomb, Jr., Esq. *Indiana*
Attorney at Law, Indiana

E. James Trimarchi *Indiana*
Chairman of the Board, First Commonwealth Financial Corporation, Indiana

Robert C. Williams *Fayetteville*
President, Unitas Bank, Chambersburg

First Commonwealth Affiliate Presidents

John O. Campbell

David S. Dahlmann

John O. Campbell, *President,* First Commonwealth Insurance Agency, First Commonwealth Place, 654 Philadelphia Street, Indiana, PA 15701 • (724) 349-6056

David S. Dahlmann, *President & Chief Executive Officer,* Southwest Bank, 111 Main Street, Greensburg, PA 15601 • (724) 834-2310

Johnston A. Glass

Sue McMurdy

Johnston A. Glass, *President & Chief Executive Officer,* First Commonwealth Bank, Central Offices, Philadelphia and Sixth Streets, Indiana, PA 15701 • (724) 349-3400

Sue McMurdy, *President & Chief Executive Officer,* Commonwealth Systems Corporation, 22 North Sixth Street, Indiana, PA 15701 • (724) 349-4310

William A. Mrozowski

Gerard M. Thomchick

William A. Mrozowski, *President & Chief Executive Officer,* First Commonwealth Trust Company, 614 Philadelphia Street, Indiana, PA 15701 • (724) 465-3282

Gerard M. Thomchick, *President,* First Commonwealth Professional Resources Incorporated, 22 North Sixth Street, Indiana, PA 15701 • (724) 349-7220. *President,* Commonwealth Trust Credit Life Insurance Company, 2700 North Third Street, Suite 2000, Phoenix, AZ 85004

Corporate Information

Corporate Description

First Commonwealth Financial Corporation is a Pennsylvania business corporation established in 1983, registered as a bank holding company by the Board of Governors of the Federal Reserve System.

Corporate Executive Offices

Executive Offices

Old Courthouse Square,
22 North Sixth Street
Indiana, Pennsylvania

Mail Address

Post Office Box 400
Indiana, Pennsylvania 15701-0400
Telephone (724)349-7220

Executive Officers

E. James Trimarchi
Chairman of the Board

Joseph E. O'Dell
President and Chief Executive Officer

David S. Dahlmann
Vice Chairman

Johnston A. Glass
Vice Chairman, Growth

Gerard M. Thomchick
Senior Executive Vice President and
Chief Operating Officer

John J. Dolan
Executive Vice President and Chief Financial Officer

Sue McMurdy
Senior Vice President and Chief Information Officer

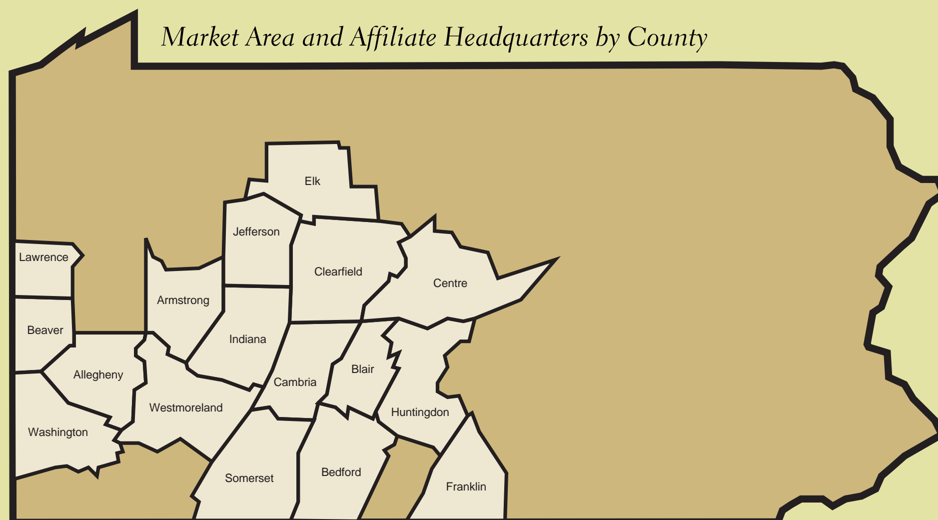
David R. Tomb, Jr.
Senior Vice President,
Secretary and Treasurer

Thaddeus J. Clements
Senior Vice President,
Human Resources

William R. Jarrett
Senior Vice President,
Risk Management

R. John Previte
Senior Vice President, Investments

For shareholder information see page 50 of this report.



ALLEGHENY
Reliable Bank
Bridgeville, PA

ARMSTRONG
First Bank of Leechburg
Leechburg, PA

BLAIR
Central Bank
Hollidaysburg, PA

CAMBRIA
Cenwest Bank
Johnstown, PA

CLEARFIELD
Deposit Bank
DuBois, PA

FRANKLIN
Unitas Bank
Chambersburg, PA

INDIANA
First Commonwealth Financial Corporation
First Commonwealth Bank
NBOC Bank
Commonwealth Systems Corporation
First Commonwealth Insurance Agency
First Commonwealth Professional Resources Inc.
First Commonwealth Trust Company
Indiana, PA

LAWRENCE
Peoples Bank of Western Pennsylvania
New Castle, PA

SOMERSET
Peoples Bank
Jennerstown, PA

WESTMORELAND
Southwest Bank
Greensburg, PA

For other information call our Convenience Banking Center at 1-800-711-BANK (2265) or visit our websites:
www.fcfbank.com
www.swbank.com

Welcome to First Commonwealth Financial . . . Online

Providing total solutions means being there for our customers no matter when they need us. Through the web sites of our affiliates, First Commonwealth Bank, www.fcfbank.com and Southwest Bank, www.swbank.com, we offer an array of online solutions for you. From discount brokerage services to instant term life insurance quotes; from online check re-ordering to over 40 financial calculators; and now we can make paying your bills a whole lot easier with our new Internet bill payment & presentment solution . . . "WebPay"!

Banking Services

The one-stop source for your total solutions needs. An offering of integrated solutions covering bank, insurance, investments and trust products and services that will save you time because it's all right here!

FCFC Stock Ticker

Up to the minute corporate stock quote and yield information for First Commonwealth Financial Corporation.

Corporate Information

All the information you need to know about our holding company, First Commonwealth Financial Corporation, is in one convenient place. Earnings performance, corporate news, dividend reinvestment, annual reports and much more!

WebPay

Pay anyone, anytime, anywhere with our convenient Internet bill payment solution. Best of all, the first six months are free!

Uvest®

Open a discount brokerage account and manage your investment portfolio online. Earnings results, forecasts, stock quotes, market updates and more!

Current Features

Our Current Features assist you in accomplishing your financial goals. Getting ready for retirement? Need to grow your Small Business? Our site has the tools that can help.

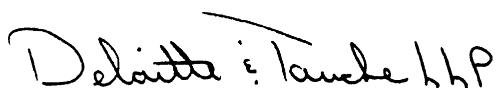
Total solutions . . . online. Come and visit us and find the solution that's right for you.

To the Board of Directors and Shareholders
of First Commonwealth Financial Corporation:

We have audited the accompanying consolidated balance sheets of First Commonwealth Financial Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 1998 consolidated financial statements give retroactive effect to the merger of First Commonwealth Financial Corporation and Southwest National Corporation on December 31, 1998, which has been accounted for as a pooling of interests as described in Note 6 to the consolidated financial statements. We did not audit the statements of income, shareholders' equity, and cash flows of Southwest National Corporation for the year ended December 31, 1998, which statements reflect net interest income of 25% of the related consolidated total for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southwest National Corporation for 1998, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of First Commonwealth Financial Corporation and subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.



DELOITTE & TOUCHE, LLP
Pittsburgh, Pennsylvania
January 25, 2001

CONSOLIDATED BALANCE SHEETS

(Dollar Amounts in Thousands)

	December 31,	
	2000	1999
Assets		
Cash and due from banks	**$ 90,723**	$ 92,673
Interest-bearing bank deposits	**427**	1,218
Federal funds sold	**11,125**	8,700
Securities available for sale, at market	**1,238,230**	1,144,042
Securities held to maturity, at cost, (market value $398,661 in 2000 and $435,000 in 1999)	**398,107**	448,347
Loans	**2,492,874**	2,503,687
Unearned income	**(2,047)**	(3,628)
Allowance for credit losses	**(33,601)**	(33,539)
Net loans	**2,457,226**	2,466,520
Property and equipment	**44,671**	43,380
Other real estate owned	**1,661**	1,707
Other assets	**130,142**	134,259
Total assets	**$ 4,372,312**	$ 4,340,846
Liabilities		
Deposits (All Domestic):		
Noninterest-bearing	**$ 244,010**	$ 251,404
Interest-bearing	**2,820,136**	2,697,425
Total deposits	**3,064,146**	2,948,829
Short-term borrowings	**272,171**	424,827
Other liabilities	**44,984**	42,152
Company obligated mandatorily redeemable capital securities of subsidiary trust	**35,000**	35,000
Other long-term debt	**621,855**	603,355
Total long-term debt	**656,855**	638,355
Total liabilities	**4,038,156**	4,054,163
Shareholders' Equity		
Preferred stock, $1 par value per share, 3,000,000 shares authorized, none issued	**-0-**	-0-
Common stock, $1 par value per share, 100,000,000 shares authorized, 62,525,412 shares issued and 58,195,450 shares outstanding in 2000; 62,525,412 shares issued and 58,142,848 shares outstanding in 1999	**62,525**	62,525
Additional paid-in capital	**67,223**	68,330
Retained earnings	**272,169**	257,773
Accumulated other comprehensive income (loss)	**(7,808)**	(40,304)
Treasury stock (4,329,962 and 4,382,564 shares at December 31, 2000 and 1999, respectively, at cost)	**(54,666)**	(55,448)
Unearned ESOP shares	**(5,287)**	(6,193)
Total shareholders' equity	**334,156**	286,683
Total liabilities and shareholders' equity	**$ 4,372,312**	$ 4,340,846

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

CONSOLIDATED STATEMENTS OF INCOME

(Dollar Amounts in Thousands, except per share data)

	Years Ended December 31,		
	2000	1999	1998
Interest Income			
Interest and fees on loans	**$ 208,548**	$ 195,010	$ 201,739
Interest and dividends on investments:			
Taxable interest	**89,723**	88,266	69,467
Interest exempt from Federal income taxes	**9,638**	9,479	6,600
Dividends	**3,657**	3,108	2,138
Interest on Federal funds sold	**234**	105	1,893
Interest on bank deposits	**82**	121	230
Total interest income	**311,882**	296,089	282,067
Interest Expense			
Interest on deposits	**115,507**	103,331	113,960
Interest on short-term borrowings	**22,218**	13,832	10,214
Interest on mandatorily redeemable capital securities of subsidiary trust	**3,325**	1,007	-0-
Interest on other long-term debt	**33,489**	34,483	24,108
Total interest on long-term debt	**36,814**	35,490	24,108
Total interest expense	**174,539**	152,653	148,282
Net interest income	**137,343**	143,436	133,785
Provision for credit losses	**10,030**	9,450	15,049
Net interest income after provision for credit losses	**127,313**	133,986	118,736
Other Income			
Securities gains	**1,745**	565	1,457
Trust income	**5,555**	5,525	5,251
Service charges on deposits	**10,562**	10,645	9,628
Gain on sale of loans	**257**	4,996	1,630
Other income	**15,564**	12,494	11,420
Total other income	**33,683**	34,225	29,386
Other Expenses			
Salaries and employee benefits	**52,529**	49,806	48,710
Net occupancy expense	**6,577**	6,537	6,750
Furniture and equipment expense	**8,154**	7,653	7,485
Data processing expense	**3,310**	3,449	3,354
Pennsylvania shares tax expense	**3,495**	3,477	3,152
Merger and related charges	**-0-**	-0-	7,915
Other operating expenses	**25,396**	24,647	24,529
Total other expenses	**99,461**	95,569	101,895
Income before income taxes and extraordinary items	**61,535**	72,642	46,227
Applicable income taxes	**14,289**	19,612	12,229
Net income before extraordinary items	**47,246**	53,030	33,998
Extraordinary items (less applicable income taxes of $336)	**-0-**	-0-	(624)
Net Income	**$ 47,246**	$ 53,030	$ 33,374
Average Shares Outstanding (a)	**57,558,929**	60,333,092	61,333,572
Average Shares Outstanding Assuming Dilution (a)	**57,618,671**	60,569,322	61,666,026
Earnings per common share: (a)			
Net income before extraordinary items	**$ 0.82**	$ 0.88	$ 0.55
Extraordinary items	**$ 0.00**	$ 0.00	$ (0.01)
Net income	**$ 0.82**	$ 0.88	$ 0.54
Earnings per common share assuming dilution: (a)			
Net income before extraordinary items	**$ 0.82**	$ 0.88	$ 0.55
Extraordinary items	**$ 0.00**	$ 0.00	$ (0.01)
Net income	**$ 0.82**	$ 0.88	$ 0.54

(a) Where applicable, share amounts have been restated to reflect the two-for-one stock split effected in the form of a 100% stock dividend declared on October 19, 1999.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollar Amounts in Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at December 31, 1997	$ 63,322	$ 74,998	$ 228,230	$ 2,156	$ (11,947)	$ (2,436)	$ 354,323
Comprehensive income							
Net income	-0-	-0-	33,374	-0-	-0-	-0-	33,374
Other comprehensive income, net of tax:							
Unrealized holding gains on securities arising during the period	-0-	-0-	-0-	971	-0-	-0-	971
Less: reclassification adjustment for gains on securities included in net income	-0-	-0-	-0-	(928)	-0-	-0-	(928)
Total other comprehensive income	-0-	-0-	-0-	43	-0-	-0-	43
Total comprehensive income	-0-	-0-	33,374	43	-0-	-0-	33,417
Cash dividends declared	-0-	-0-	(25,981)	-0-	-0-	-0-	(25,981)
Net increase in unearned ESOP shares	-0-	158	-0-	-0-	-0-	(5,571)	(5,413)
Discount on dividend reinvestment plan purchases	-0-	(1,016)	-0-	-0-	-0-	-0-	(1,016)
Treasury stock acquired	-0-	-0-	-0-	-0-	(2,123)	-0-	(2,123)
Treasury stock reissued	-0-	(38)	-0-	-0-	2,255	-0-	2,217
Treasury stock cancelled in merger	(795)	(5,107)	-0-	-0-	5,902	-0-	-0-
Cash issued for partial shares in merger	(2)	(17)	-0-	-0-	-0-	-0-	(19)
Balance at December 31, 1998	62,525	68,978	235,623	2,199	(5,913)	(8,007)	355,405
Comprehensive income							
Net income	-0-	-0-	53,030	-0-	-0-	-0-	53,030
Other comprehensive income, net of tax:							
Unrealized holding losses on securities arising during the period	-0-	-0-	-0-	(42,137)	-0-	-0-	(42,137)
Less: reclassification adjustment for gains on securities included in net income	-0-	-0-	-0-	(366)	-0-	-0-	(366)
Total other comprehensive income	-0-	-0-	-0-	(42,503)	-0-	-0-	(42,503)
Total comprehensive income	-0-	-0-	53,030	(42,503)	-0-	0-	10,527
Cash dividends declared	-0-	-0-	(30,880)	-0-	-0-	-0-	(30,880)
Decrease in unearned ESOP shares	-0-	53	-0-	-0-	-0-	1,814	1,867
Discount on dividend reinvestment plan purchases	-0-	(358)	-0-	-0-	-0-	-0-	(358)
Treasury stock acquired	-0-	-0-	-0-	-0-	(51,331)	-0-	(51,331)
Treasury stock reissued	-0-	(343)	-0-	-0-	1,796	-0-	1,453
Balance at December 31, 1999	62,525	68,330	257,773	(40,304)	(55,448)	(6,193)	286,683
Comprehensive income							
Net income	-0-	-0-	47,246	-0-	-0-	-0-	47,246
Other comprehensive income, net of tax:							
Unrealized holding gains on securities arising during the period	-0-	-0-	-0-	33,630	-0-	-0-	33,630
Less: reclassification adjustment for gains on securities included in net income	-0-	-0-	-0-	(1,134)	-0-	-0-	(1,134)
Total other comprehensive income	-0-	-0-	-0-	32,496	-0-	-0-	32,496
Total comprehensive income	-0-	-0-	47,246	32,496	-0-	-0-	79,742
Cash dividends declared	-0-	-0-	(32,850)	-0-	-0-	-0-	(32,850)
Decrease in unearned ESOP shares	-0-	(113)	-0-	-0-	-0-	906	793
Discount on dividend reinvestment plan purchases	-0-	(593)	-0-	-0-	-0-	-0-	(593)
Treasury stock acquired	-0-	-0-	-0-	-0-	(873)	-0-	(873)
Treasury stock reissued	-0-	(476)	-0-	-0-	1,655	-0-	1,179
Tax benefit of stock options	-0-	75	-0-	-0-	-0-	-0-	75
Balance at December 31, 2000	$ 62,525	$ 67,223	$ 272,169	$ (7,808)	$ (54,666)	$ (5,287)	$ 334,156

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar Amounts in Thousands)

	Years Ended December 31,		
	2000	1999	1998
Operating Activities			
Net income	**$ 47,246**	$ 53,030	$ 33,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	**10,030**	9,450	15,049
Depreciation and amortization	**7,480**	7,735	7,914
Net gains on sales of assets	**(1,929)**	(5,192)	(3,829)
Income from increase in cash surrender value of bank owned life insurance	**(3,419)**	(2,126)	(1,365)
Increase in interest receivable	**(932)**	(773)	(4,011)
Increase in interest payable	**7,620**	1,815	1,159
Increase (decrease) in income taxes payable	**255**	445	(584)
Change in deferred taxes	**1,533**	287	(1,404)
Other - net	**(1,751)**	(11,922)	6,567
Net cash provided by operating activities	**66,133**	52,749	52,870
Investing Activities			
Transactions with securities held to maturity:			
Sales	**-0-**	-0-	-0-
Maturities and redemptions	**67,735**	127,566	211,948
Purchases of investment securities	**(17,458)**	(93,151)	(184,668)
Transactions with securities available for sale:			
Sales	**22,391**	39,282	171,891
Maturities and redemptions	**108,636**	193,605	184,508
Purchases of investment securities	**(173,514)**	(398,933)	(891,718)
Proceeds from sales of loans and other assets	**36,482**	99,692	104,609
Sale of subsidiary	**-0-**	(2,431)	-0-
Investment in bank owned life insurance	**(15,000)**	(20,000)	-0-
Net decrease in time deposits with banks	**790**	689	3,127
Net increase in loans	**(36,435)**	(227,347)	(50,580)
Purchases of premises and equipment	**(7,736)**	(5,197)	(7,702)
Net cash used by investing activities	**(14,109)**	(286,225)	(458,585)
Financing Activities			
Proceeds from issuance of other long-term debt	**89,900**	25,000	469,800
Repayments of other long-term debt	**(70,493)**	(50,319)	(37,576)
Proceeds from issuance of company obligated mandatorily redeemable capital securities of subsidiary trust	**-0-**	35,000	-0-
Discount on dividend reinvestment plan purchases	**(593)**	(358)	(1,016)
Dividends paid	**(32,553)**	(27,825)	(25,746)
Net increase (decrease) in Federal funds purchased	**13,875**	(45,025)	(60,675)
Net increase (decrease) in other short-term borrowings	**(166,531)**	329,306	(2,228)
Sale of branch and deposits, net of cash received	**-0-**	-0-	(8,612)
Stock option tax benefit	**75**	-0-	-0-
Acquisition of treasury stock	**(873)**	(51,331)	(2,123)
Reissuance of treasury stock	**326**	1,453	2,217
Net increase in deposits	**115,318**	21,333	56,909
Net cash provided (used) by financing activities	**(51,549)**	237,234	390,950
Net increase (decrease) in cash and cash equivalents	**475**	3,758	(14,765)
Cash and cash equivalents at January 1	**101,373**	97,615	112,380
Cash and cash equivalents at December 31	**$ 101,848**	$ 101,373	$ 97,615

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2000, 1999 and 1998

NOTE 1—*Statement of Accounting Policies*

General

The following summary of accounting and reporting policies is presented to aid the reader in obtaining a better understanding of the financial statements and related financial data of First Commonwealth Financial Corporation and its subsidiaries (the "Corporation") contained in this report.

The financial information is presented in accordance with generally accepted accounting principles and general practice for financial institutions. In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, these estimates and assumptions affect revenues and expenses in the financial statements and as such, actual results could differ from those estimates.

Through its subsidiaries which include two commercial banks, a nondepository trust company and insurance agency, the Corporation provides a full range of loan, deposit, trust and insurance services primarily to individuals and small to middle-market businesses in seventeen counties in central and western Pennsylvania. Under current conditions, the Corporation is reporting one business segment.

The Corporation and subsidiaries are subject to regulations of certain state and federal agencies. These regulatory agencies periodically examine the Corporation and its subsidiaries for adherence to laws and regulations. As a consequence, the cost of doing business may be affected.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated in consolidation.

Investments of 20 to 50 percent of the outstanding common stock of investees are accounted for using the equity method of accounting.

Reclassifications

Financial statement amounts in prior periods have been reclassified to conform to the presentation format used in 2000. The reclassifications had no effect on the Corporation's financial condition or results of operations.

Securities

Debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as securities held-to-maturity and are reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are to be classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings. Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as securities available-for-sale and are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity, net of deferred taxes.

The Corporation has securities classified as either held-to-maturity or available-for-sale. The Corporation does not engage in trading activities. Net gain or loss on the sale of securities is determined by using the specific identification method.

Effective January 1, 1999, the Corporation adopted the Financial Accounting Standards Board ("FASB") Statement No. 134, "Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise" ("FAS No. 134"). FAS No. 134 amends FAS No. 65 "Accounting for Certain Mortgage Banking Activities". FAS No. 65 required that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities as trading securities while FAS No. 134 requires the resulting mortgage-backed securities or other retained interests be classified based on the entity's ability and intent to sell or hold those investments. On the date FAS No. 134 is initially applied, an enterprise may reclassify mortgage backed securities and other beneficial interests retained after the securitization of mortgage loans held for sale from the trading category, except for those with sales commitments in place. The Corporation currently holds no mortgage backed securities or other beneficial interests retained after the securitization of mortgage loans held for sale. The adoption of FAS No. 134 did not have a material impact on the Corporation's financial condition or results of operations.

Loans

Loans are carried at the principal amount outstanding. Unearned income on installment loans and leases is taken into income on a declining basis which results in an approximately level rate of return over the life of the loan or lease. Interest is accrued as earned on nondiscounted loans.

The Corporation considers a loan to be impaired when, based on current information and events, it is probable that a creditor will be unable to collect principal or interest due according to the contractual terms of the loan. Loan impairment is measured based on the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Payments received on impaired loans are applied against the recorded investment in the loan. For loans other than those that the Corporation expects repayment through liquidation of the collateral, when the remaining recorded investment in the impaired loan is less than or equal to the present value of the expected cash flows, income is recorded on a cash basis.

Mortgage Servicing Rights

When the Corporation purchases or originates mortgage loans with a definitive plan to sell or securitize those loans and retain the mortgage servicing rights, the Corporation measures the mortgage servicing rights at cost by allocating the cost of the mortgage loans between the mortgage servicing rights and the mortgage loans (without the mortgage servicing rights) based on their relative fair values at the date of purchase or origination. When the Corporation does not have a definitive plan at the purchase or origination date and later sells or securitizes the mortgage loans and retains the mortgage servicing rights, the Corporation allocates the amortized cost of the mortgage loans between the mortgage servicing rights and the mortgage loans (without mortgage servicing rights) based on their relative fair values at the date of sale. The amount capitalized as the right to service mortgage loans is recognized as a separate asset and amortized in proportion to, and over the period of, estimated net servicing income (servicing revenue in excess of servicing cost). Mortgage servicing rights are periodically evaluated for impairment based on fair values.

Loan Fees

Loan origination and commitment fees, net of associated direct costs, are deferred and the net amount is amortized as an adjustment to the related loan yield on the interest method, generally over the contractual life of the related loans or commitments.

Other Real Estate Owned

Real estate, other than bank premises, is recorded at the lower of cost or fair value less selling costs at the time of acquisition. Expenses related to holding the property, net of rental income, are generally charged against earnings in the current period.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of an amount adequate to provide for losses which may be incurred on loans currently held. Management determines the adequacy of the allowance based on historical patterns of loan charge-offs and recoveries, the relationship of the allowance to outstanding loans, industry experience, current economic trends and other factors relevant to the collectibility of loans currently in the portfolio.

Bank-Owned Life Insurance

The Corporation purchased insurance on the lives of a certain group of employees. The policies accumulate asset values to meet future liabilities including the payment of employee benefits such as health care. Increases in the cash surrender value are recorded as other income in the Consolidated Statements of Income. The cash surrender value of bank-owned life insurance is reflected in "other assets" on the Consolidated Balance Sheets in the amount of $65,961 and $48,382 at December 31, 2000 and 1999, respectively.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line and accelerated methods over the estimated useful life of the asset. Charges for maintenance and repairs are expensed as incurred. Where a lease is involved, amortization is charged over the term of the lease or the estimated useful life of the improvement, whichever is shorter.

The Corportation records computer software in accordance with the American Institute of Certified Public Accountants' Statement of Postition 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). The statement identifies the following three stages of software development: the preliminary project stage, the application development stage, and the post-implementation stage. In compliance with SOP 98-1, the Corporation expenses costs incurred during the preliminary project stage and capitalizes certain costs incurred during the application development stage. Once software is in operation, maintenance costs are expensed over the maintenance period while upgrades which result in additional functionality or enhancement are capitalized. Training and data conversion costs are expensed as incurred. Capitalized costs are amortized on a straight-line basis over a period of 3-7 years, depending on the life of the software license.

Accounting for the Impairment of Long-Lived Assets

The Corporation reviews long-lived assets, such as premises and equipment and intangibles for impairment whenever events or changes in circumstances, such as a significant decrease in the market value of an asset or the extent or manner in which an asset is used indicate that the carrying amount of an asset may not be recoverable. If there is an indication that the carrying amount of an asset may not be recoverable, future discounted cash flows expected to result from the use of the asset are estimated. If the sum of the expected cash flows is less than the carrying value of the asset a loss is recognized for the difference between the carrying value and fair market value of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands, except per share data)

NOTE 1—*Statement of Accounting Policies (continued)*

Income Taxes

The Corporation records taxes in accordance with the asset and liability method utilized by FASB Statement No. 109 ("FAS No. 109"), whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases given the provisions of the enacted tax laws. Deferred tax assets are reduced, if necessary, by the amount of such benefits that are not expected to be realized based upon available evidence.

Comprehensive Income Disclosures

For all periods presented, "other comprehensive income" (comprehensive income excluding net income) includes only one component, which is the change in unrealized holding gains and losses on available for sale securities, net of related tax effects.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and Federal funds sold. Generally, Federal funds are sold for one-day periods.

Stock Split

On October 19, 1999, the Corporation's Board of Directors approved a 2-for-1 stock split effected in the form of a 100% stock dividend. Shareholders of record at the close of business November 4, 1999 received one additional share for each share held. The additional shares were distributed on November 18, 1999. Pursuant to the foregoing stock split an additional 31,262,706 common shares were issued, and the sum of $31,263 ($1 per share) was transferred to the Corporation's common stock account, and such amount was charged against the Corporation's additional paid-in capital account. Common stock, additional paid-in capital, and share data for prior periods have been restated to reflect the stock split as if it had occurred at the beginning of the earliest period presented.

Employee Stock Ownership Plan

Accounting treatment for the Corporation's Employee Stock Ownership Plan ("ESOP") described in NOTE 21 follows Statement of Position 93-6 ("SOP 93-6") "Employers Accounting for Employee Stock Ownership Plans" for ESOP shares acquired after December 31, 1992 (new shares). The Corporation has elected, as permitted under SOP 93-6, not to adopt this statement for ESOP shares acquired on or before December 31, 1992 (old shares).

ESOP shares purchased subject to debt guaranteed by the Corporation are recorded as a reduction of common shareholders' equity by charging unearned ESOP shares. As shares are committed to be released to the ESOP trust for allocation to plan participants, unearned ESOP shares is credited for the average cost of the shares to the ESOP. Compensation cost recognized for new shares in accordance with the provisions of SOP 93-6 is based upon the fair market value of the shares committed to be released. Additional paid-in capital is charged or credited for the difference between the fair value of the shares committed to be released and the cost of those shares to the ESOP. Compensation cost recognized for old shares committed to be released is recorded at the cost of those shares to the ESOP.

Dividends on both old and new unallocated ESOP shares are used for debt service and are reported as a reduction of debt and accrued interest payable. Dividends on allocated ESOP shares are charged to retained earnings and allocated to the plan participants' accounts. The average number of common shares outstanding used in calculating earnings per share excludes all unallocated ESOP shares.

Employee Stock Option Plan

FASB Statement No. 123 "Accounting for Stock Based Compensation" ("FAS No. 123") defines a method of measuring stock based compensation, such as stock options granted, at an estimated fair value. FAS No. 123 also permits the continued measurement of stock based compensation under provisions of the Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25").

As permitted under FAS No. 123, the Corporation has elected to use the intrinsic value method to measure stock based compensation under APB 25 and to disclose in a footnote to the financial statements, net income and earnings per share determined as if the fair value methodology of FAS No. 123 was implemented (see NOTE 22).

Derivative Instruments and Hedging Activities

In June 1998, the FASB issued statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"). FAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities which require that an entity recognize all derivatives as either assets or liabilities in a balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives must be recognized in earnings when they occur unless the derivative qualifies as a hedge. If a derivative qualifies as hedge, a company can elect to use hedge accounting to eliminate or reduce income-statement volatility that would arise from reporting changes in a derivative's fair value in income. FAS No. 133 was amended by FASB statement No. 137 which delays the effective date of FAS No. 133 to the first quarter of fiscal years beginning after June 15, 2000. FAS No. 133 was also amended in June 2000 by FAS No. 138. FAS No. 138 addresses and clarifies issues causing implementation difficulties for numerous entities applying FAS No. 133. FAS No. 138 includes amendments to FAS No. 133 which resulted from decisions made by the FASB related to the Derivatives Implementation Group ("DIG") process. The DIG was created by the FASB to facilitate implementation by identifying issues that arise from applying the requirements of FAS No. 133 and to advise the FASB on how to resolve those issues. The Corporation currently has no freestanding derivative or hedging instruments.

Management has reviewed contracts from various functional areas of the Corporation to identify potential derivatives embedded within selected contracts. In accordance with the guidance provided in DIG Issue 11-4, management had identified embedded derivatives in some loan commitments for residential mortgages where the Corporation has intent to sell to an investor such as the Federal Home Loan Mortgage Corporation ("Freddie Mac") or the Federal National Mortgage Association ("Fannie Mae"). Due to the short-term nature of these loan commitments (30 days or less) and the historical dollar amount of commitments outstanding at period end, the adoption of FAS No. 133 will not have a material impact on the Corporation's financial condition or results of operations.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders less unallocated ESOP shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For all periods presented the dilutive effect on average shares outstanding is the result of compensatory stock options outstanding.

New Accounting Pronouncements

In September 2000, the FASB issued statement No. 140, "Accounting for Transfer and Servicing of Financial Assets and Extinguishments of Liabilities" which replaces FASB statement No. 125, issued in June 1996. FAS No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of FAS No. 125. The statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. FAS No. 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for years ending after December 15, 2000. Implementation of FAS No. 140 will not have a material impact on the Corporation's financial condition or results of operations.

NOTE 2—*Supplemental Comprehensive Income Disclosures*

The following table identifies the related tax effects allocated to each component of other comprehensive income in the Statements of Changes in Shareholders' Equity:

	December 31, 2000			December 31, 1999			December 31, 1998		
	Pre-tax Amount	**Tax (Expense) Benefit**	**Net of Tax Amount**	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Unrealized gains (losses) on securities:									
Unrealized holding gains (losses) arising during the period	**$ 51,739**	**$(18,109)**	**$ 33,630**	$(64,826)	$22,689	$ (42,137)	$ 1,495	$ (524)	$ 971
Less: reclassification adjustment for gains realized in net income	**(1,745)**	**611**	**(1,134)**	(563)	197	(366)	(1,428)	500	(928)
Net unrealized gains (losses)	**49,994**	**(17,498)**	**32,496**	(65,389)	22,886	(42,503)	67	(24)	43
Other comprehensive income	**$ 49,994**	**$(17,498)**	**$ 32,496**	$ (65,389)	$22,886	$ (42,503)	$ 67	$ (24)	$ 43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands, except per share data)

NOTE 3—*Supplemental Cash Flow Disclosures*

	2000	1999	1998
Cash paid during the year for:			
Interest	**$ 166,919**	$ 150,839	$ 147,123
Income taxes	**$ 12,842**	$ 18,832	$ 14,200
Noncash investing and financing activities:			
ESOP borrowings	**$ -0-**	$ -0-	$ 6,000
ESOP loan reductions	**$ 906**	$ 1,814	$ 429
Loans transferred to other real estate owned and repossessed assets	**$ 6,405**	$ 4,936	$ 6,624
Gross increase (decrease) in market value adjustment to securities available for sale	**$ 49,994**	$ (65,389)	$ 67
Treasury stock reissued for insurance agency interest acquired	**$ 852**	$ -0-	$ -0-

NOTE 4—*Joint Venture Buy-Out of Insurance Agency*

When the Corporation formed First Commonwealth Insurance Agency ("FCIA"), its wholly-owned subsidiary, it entered into a joint venture agreement with a partner to assist FCIA in establishing itself as a full service insurance agency in exchange for an undivided 50% interest in FCIA's expiring list of policy holders. Effective August 31, 2000 the Corporation acquired the 50% interest in the policy holders' list owned by its joint venture partner; thereby becoming the sole owner of such list. In exchange the joint venture partner received 89,742 shares of the Corporation's common stock.

NOTE 5—*Sale of Subsidiary*

Effective April 1, 1999, the Corporation sold all of the outstanding common stock of BSI Financial Services Inc. ("BSI"), a wholly-owned subsidiary of the Corporation, to a bank headquartered in Richmond, Indiana. Cash proceeds in the amount of $1,709 were received, resulting in a loss on sale of $202 which has been reflected in the financial statements. BSI provided mortgage banking, loan servicing and collection services to the Corporation's subsidiary banks and unaffiliated organizations. Services performed by BSI for the subsidiary banks have been transferred to the subsidiary banks or other nonbank subsidiaries of the Corporation.

NOTE 6—*Business Combination*

Effective December 31, 1998, the Corporation acquired all of the outstanding shares of Southwest National Corporation ("Southwest"), a Pennsylvania-chartered bank holding company headquartered in Greensburg, Pennsylvania. Each of the 3,043,738 outstanding shares of Southwest National Corporation were exchanged for 5.8 shares of the Corporation's common stock. The aggregate number of shares issued by the Corporation, excluding partial shares was 17,652,156. Related share amounts have been restated for the stock split described in NOTE 1. The merger was accounted for as a pooling of interests, and accordingly, all financial statements were restated as though the merger had occurred at the beginning of the earliest period presented.

NOTE 7—*Cash and Due From Banks on Demand*

Regulations of the Board of Governors of the Federal Reserve System impose uniform reserve requirements on all depository institutions with transaction accounts (checking accounts, NOW accounts, etc.). Reserves are maintained in the form of vault cash or a noninterest-bearing balance held with the Federal Reserve Bank. The subsidiary banks maintained with the Federal Reserve Bank average balances of $3,075 during 2000 and $3,807 during 1999.

NOTE 8—*Securities Available For Sale*

Below is an analysis of the amortized cost and approximate fair values of securities available for sale at December 31, 2000 and 1999:

	2000				1999			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Treasury Securities	**$ 9,972**	**$ 77**	**$ -0-**	**$ 10,049**	$ 4,970	$ -0-	$ (27)	$ 4,943
Obligations of U.S. Government Corporations and Agencies:								
Mortgage Backed Securities	**752,481**	**1,636**	**(7,126)**	**746,991**	781,690	104	(38,777)	743,017
Other	**117,585**	**125**	**(370)**	**117,340**	123,436	-0-	(4,068)	119,368
Obligations of States and Political Subdivisions	**76,066**	**606**	**(1,376)**	**75,296**	75,348	210	(5,940)	69,618
Debt Securities Issued by Foreign Governments	**425**	**-0-**	**-0-**	**425**	430	-0-	-0-	430
Corporate Securities	**142,933**	**1,814**	**(6,271)**	**138,476**	70,252	11	(5,812)	64,451
Other Mortgage Backed Securities	**97,922**	**336**	**(418)**	**97,840**	85,521	-0-	(4,413)	81,108
Total Debt Securities	**1,197,384**	**4,594**	**(15,561)**	**1,186,417**	1,141,647	325	(59,037)	1,082,935
Equities	**52,824**	**-0-**	**(1,011)**	**51,813**	64,330	3	(3,226)	61,107
Total Securities Available for Sale	**$ 1,250,208**	**$ 4,594**	**$ (16,572)**	**$ 1,238,230**	$ 1,205,977	$ 328	$(62,263)	$1 ,144,042

Mortgage backed securities include mortgage backed obligations of U.S. Government agencies and corporations, mortgage backed securities issued by other organizations and other asset backed securities. These obligations have contractual maturities ranging from less than one year to 30 years and have an anticipated average life to maturity ranging from less than one year to 21 years. All mortgage backed securities contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact upon prepayment speeds, therefore the Corporation uses computer simulation models to test the average life and yield volatility of all mortgage backed securities under various interest rate scenarios to insure that volatility falls within acceptable limits. At December 31, 2000 and 1999, the Corporation owned no high risk mortgage backed securities as defined by the Federal Financial Institutions Examination Council's Supervisory Policy Statement on Securities Activities.

The amortized cost and estimated market value of debt securities at December 31, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Approximate Fair Value
Due within 1 year	$ 12,227	$ 12,247
Due after 1 but within 5 years	212,239	213,924
Due after 5 but within 10 years	11,828	11,824
Due after 10 years	110,687	103,591
	346,981	341,586
Mortgage Backed Securities	850,403	844,831
Total Debt Securities	$ 1,197,384	$ 1,186,417

Proceeds from the sales of securities available for sale were $22,391, $39,282 and $171,891 during 2000, 1999 and 1998 respectively. Gross gains of $1,752, $541 and $2,817 and gross losses of $18, $0 and $1,284 were realized on those sales during 2000, 1999 and 1998 respectively.

Securities available for sale with an approximate fair value of $626,719 and $463,004 were pledged at December 31, 2000 and 1999, respectively, to secure public deposits and for other purposes required or permitted by law.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands)

NOTE 9—*Securities Held to Maturity*

Below is an analysis of the amortized cost and approximate fair values of debt securities held to maturity at December 31, 2000 and 1999:

	2000				1999			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Obligations of U.S. Government Corporations and Agencies:								
Mortgage Backed Securities	**$ 148,522**	**$ 635**	**$ (604)**	**$ 148,553**	$ 183,926	$ 60	$ (4,231)	$ 179,755
Other	**99,844**	**194**	**(129)**	**99,909**	104,790	-0-	(2,436)	102,354
Obligations of States and Political Subdivisions	**126,514**	**1,355**	**(807)**	**127,062**	134,770	176	(6,204)	128,742
Debt Securities Issued by Foreign Governments	**357**	**-0-**	**-0-**	**357**	358	-0-	-0-	358
Corporate Securities	**22,154**	**140**	**(227)**	**22,067**	22,212	-0-	(711)	21,501
Other Mortgage Backed Securities	**716**	**-0-**	**(3)**	**713**	2,291	-0-	(1)	2,290
Total Securities Held to Maturity	**$ 398,107**	**$ 2,324**	**$ (1,770)**	**$ 398,661**	$ 448,347	$ 236	$ (13,583)	$ 435,000

The amortized cost and estimated market value of debt securities at December 31, 2000, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Approximate Fair Value
Due within 1 year	$ 15,956	$ 15,935
Due after 1 but within 5 years	129,737	129,848
Due after 5 but within 10 years	28,994	29,640
Due after 10 years	74,182	73,972
	248,869	249,395
Mortgage Backed Securities	149,238	149,266
Total Debt Securities	$ 398,107	$ 398,661

There were no sales of securities held to maturity in 2000, 1999 or 1998.

Securities held to maturity with an amortized cost of $245,908 and $282,388 were pledged at December 31, 2000 and 1999, respectively, to secure public deposits and for other purposes required or permitted by law.

NOTE 10—*Loans (all domestic)*

Loans at year end were divided among these general categories:

	December 31,	
	2000	1999
Commercial, financial, agricultural and other	**$ 443,618**	$ 417,300
Real estate loans:		
Construction and land development	**37,146**	41,734
1-4 Family dwellings	**932,915**	980,506
Other real estate loans	**560,066**	495,789
Loans to individuals for household, family and other personal expenditures	**450,154**	502,465
Leases, net of unearned income	**68,975**	65,893
Subtotal	**2,492,874**	2,503,687
Unearned income	**(2,047)**	(3,628)
Total loans and leases	**$ 2,490,827**	$ 2,500,059

Most of the Corporation's business activity was with customers located within Pennsylvania. The portfolio is well diversified, and as of December 31, 2000 and 1999, there were no significant concentrations of credit.

NOTE 11—*Allowance for Credit Losses*

Description of changes:

	2000	1999	1998
Allowance at January 1	**$ 33,539**	$ 32,304	$ 25,932
Additions:			
Recoveries of previously charged off loans	**1,299**	1,381	1,950
Provision charged to operating expense	**10,030**	9,450	15,049
Deductions:			
Loans charged off	**11,267**	9,596	10,627
Allowance at December 31	**$ 33,601**	$ 33,539	$ 32,304

Relationship to impaired loans:

	2000	1999
Recorded investment in impaired loans at end of period	**$ 12,961**	$ 12,827
Average balance of impaired loans for the year	**$ 13,154**	$ 10,808
Allowance for credit losses related to impaired loans	**$ 2,187**	$ 3,082
Impaired loans with an allocation of the allowance for credit losses	**$ 4,679**	$ 7,471
Impaired loans with no allocation of the allowance for credit losses	**$ 8,282**	$ 5,356
Income recorded on impaired loans on a cash basis	**$ 333**	$ 458

NOTE 12—*Financial Instruments with Off-Balance-Sheet Risk*

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amount of those instruments reflects the extent of involvement the Corporation has in particular classes of financial instruments.

As of December 31, 2000 and 1999, the Corporation did not own or trade any other financial instruments with significant off-balance-sheet risk including derivatives such as futures, forwards, interest rate swaps, option contracts and the like, although such instruments may be appropriate to use in the future to manage interest rate risk.

The Corporation's exposure to credit loss in the event of nonperformance by the other party of the financial instrument for commitments to extend credit, standby letters of credit and commercial letters of credit written is represented by the contract or notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The following table identifies the notional amount of those instruments at December 31, 2000 and 1999.

	2000	1999
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	**$ 445,200**	$ 421,871
Standby letters of credit	**$ 37,787**	$ 39,847
Commercial letters of credit	**$ 471**	$ 514

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, residential and income-producing commercial properties.

Standby letters of credit and commercial letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

NOTE 13—*Premises and Equipment*

Premises and equipment are described as follows:

	Estimated Useful Life	2000	1999
Land	Indefinite	**$ 5,336**	$ 5,425
Buildings and improvements	5 - 50 Years	**45,296**	44,582
Leasehold improvements	7 - 39 Years	**9,839**	9,930
Furniture and equipment	3 - 25 Years	**48,643**	46,177
Software	3 - 7 Years	**9,926**	6,160
Subtotal		**119,040**	112,274
Less accumulated depreciation and amortization		**74,369**	68,894
Total premises and equipment		**$ 44,671**	$ 43,380

Depreciation and amortization related to premises and equipment was $5,996 in 2000, $5,790 and $6,265 in 1999 and 1998, respectively.

NOTE 14—*Interest-Bearing Deposits*

Components of interest-bearing deposits at December 31 were as follows:

	2000	1999
NOW and Super NOW accounts	**$ 98,552**	$ 98,545
Savings and MMDA accounts	**1,025,447**	1,073,789
Time deposits	**1,696,137**	1,525,091
Total interest-bearing deposits	**$ 2,820,136**	$ 2,697,425

Interest-bearing deposits at December 31, 2000 and 1999, include reallocations from demand deposits of $105,795 and $97,883 and reallocations from NOW and Super NOW accounts of $279,779 and $294,943 respectively into Savings and MMDA accounts. These reallocations are based on a formula and have been made to reduce the Corporation's reserve requirement in compliance with regulatory guidelines.

Included in time deposits at December 31, 2000 and 1999, were certificates of deposit in denominations of $100 or more of $455,382 and $358,261 respectively.

Interest expense related to $100 or greater certificates of deposit amounted to $22,639 in 2000, $18,103 in 1999, and $16,921 in 1998.

Included in time deposits at December 31, 2000, were certificates of deposit with the following scheduled maturities:

2001	$ 981,884
2002	465,459
2003	179,499
2004	30,190
2005 and thereafter	36,622
	$ 1,693,654

NOTE 15—*Short-term Borrowings*

Short-term borrowings at December 31 were as follows:

	2000			1999		
	Ending Balance	**Average Balance**	**Average Rate**	Ending Balance	Average Balance	Average Rate
Federal funds purchased	**$ 16,825**	**$ 49,990**	**6.28%**	$ 2,950	$ 94,161	5.22%
Borrowings from FHLB	**-0-**	**20,814**	**6.03%**	100,000	49,037	5.21%
Securities sold under agreements to repurchase	**237,806**	**275,839**	**5.92%**	262,301	124,904	4.66%
Treasury, tax and loan note option	**17,540**	**24,643**	**6.04%**	59,576	11,167	4.81%
Total	**$ 272,171**	**$371,286**	**5.98%**	$ 424,827	$ 279,269	4.95%
Maximum total at any month-end	**$ 455,285**			$ 424,960		

Interest expense on short-term borrowings for the years ended December 31 is detailed below:

	2000	1999	1998
Federal funds purchased	**$ 3,138**	$ 4,913	$ 4,119
Borrowings from FHLB	**1,256**	2,557	1,051
Securities sold under agreements to repurchase	**16,335**	5,825	4,305
Treasury, tax and loan note option	**1,489**	537	739
Total interest on short-term borrowings	**$ 22,218**	$ 13,832	$ 10,214

NOTE 16—*Company Obligated Mandatorily Redeemable Capital Securities of Subsidiary Trust*

The Corporation established First Commonwealth Capital Trust I ("the Trust"), a Delaware business trust and the Trust issued 35,000 capital securities (liquidation amount of $35,000) during September 1999, through a private offering to qualified investors. Additionally, the Trust issued common securities to the Corporation. The Trust used the proceeds from the sale to buy a series of 9.50% junior subordinated deferrable interest debentures due 2029 from the Corporation with the same economic terms as the capital securities. The sole asset of the Trust is the $36,083 aggregate liquidation amount of the junior subordinated debentures. The Trust will distribute the cash payments it receives from the Corporation on the debentures to the holders of the capital securities and the common securities.

The original series A capital securities and series A junior subordinated deferrable interest debentures have since been exchanged for registered series B capital securities and registered series B junior subordinated deferrable interest debentures having the same economic terms as the original series A securities.

The Trust will redeem all of the outstanding capital securities when the debentures are paid at maturity on September 1, 2029. Subject to receiving prior approval of the Board of Governors of the Federal Reserve System the Corporation may redeem the debentures, in whole or in part, at any time on or after September 1, 2009, at a redemption price equal to 104.750% of the principal amount of the debentures on September 1, 2009, declining ratably on each September 1 thereafter to 100% on or after September 1, 2019, plus accrued and unpaid interest to the date of redemption. The Corporation may also redeem the debentures prior to September 1, 2009, upon the occurrence of certain tax and bank regulatory events, subject to receiving prior approval of the Board of Governors of the Federal Reserve System. If the Corporation redeems any debentures before their maturity, the Trust will use the cash it receives on the redemption of the debentures to redeem, on a pro rata basis, capital securities and common securities having an aggregate

liquidation amount equal to the aggregate principal amount of the debentures redeemed.

The net proceeds (after deduction of offering expenses and the initial purchaser's commission) from the sale of the debentures to the Trust were approximately $34,200. The Corporation used the net proceeds from the issuance of the debentures to partially finance the purchase of 3,819,420 shares of its outstanding common stock (approximately 6.5% of its outstanding shares of common stock) pursuant to a "modified Dutch Auction" tender offer. Unamortized deferred issuance costs associated with the capital securities amounted to $909 as of December 31, 1999 and are being amortized on a straight-line basis over the term of the capital securities. The outstanding balance of the capital securities are included as a separate component of long-term debt on the Consolidated Balance Sheets while interest on the capital securities is included as a separate component of interest expense on the Consolidated Statements of Income. The amortization of the deferred issuance costs is included in interest expense from the capital securities on the Consolidated Statements of Income.

NOTE 17—*Other Long-term Debt*

Other Long-term debt at December 31, follows:

	2000		1999	
	Amount	**Rate**	Amount	Rate
ESOP loan due December, 2005	**$ 5,287**	**Libor +1%**	$ 6,193	Libor +1%
Bank loan due July, 2003	**-0-**		16,000	FF +1.25%
Borrowings from FHLB due:				
February, 2000	**-0-**		25,000	4.72%
July, 2000	**-0-**		25,000	4.72%
November, 2002	**50,000**	**5.82%**	50,000	5.82%
December, 2002	**50,000**	**5.71%**	50,000	5.71%
September, 2007	**5,000**	**6.94%**	-0-	
February, 2008	**100,000**	**5.45%**	100,000	5.45%
February, 2008	**100,000**	**5.48%**	100,000	5.48%
May, 2008	**100,000**	**5.67%**	100,000	5.67%
November, 2008	**50,000**	**5.03%**	50,000	5.03%
December, 2008	**65,000**	**4.96%**	65,000	4.96%
February, 2010	**25,000**	**6.12%**	-0-	
December, 2010	**55,000**	**4.70%**	-0-	
December, 2017	**7,038**	**6.17%**	7,264	6.17%
June, 2019	**8,644**	**5.72%**	8,898	5.72%
April, 2020	**886**	**7.37%**	-0-	
	$ 621,855		$ 603,355	

All Federal Home Loan Bank stock, along with an interest in unspecified mortgage loans and mortgage-backed securities, with an aggregate statutory value equal to the amount of the preceding advances, have been pledged as collateral with the Federal Home Loan Bank of Pittsburgh.

Capital securities included in total long-term debt on the Consolidated Balance Sheets are excluded from NOTE 17, but are described in NOTE 16.

In October 1999, the parent company entered into an agreement with an unrelated financial institution which enabled the parent company to borrow up to $20,000 through October 2000. As of December 31, 1999, $16,000 was outstanding and $4,000 remained available on this line of credit. During the first and second quarters of 2000 the parent company borrowed the remaining $4,000 available and during the fourth quarter of 2000 repaid the entire $20,000 amount outstanding.

Scheduled loan payments for other long-term debt are summarized below:

	2001	2002	2003	2004	2005	Thereafter
Loan payments	$1,691	$101,634	$1,659	$1,492	$1,810	$513,569

During 1998, the Corporation incurred a cost of $960 for the prepayment of FHLB term borrowings with original maturities scheduled for 2007. This amount was recorded on the Consolidated Statements of Income as an extraordinary item, net of $336 of applicable income taxes.

NOTE 18—*Common Share Commitments*

At December 31, 2000 and 1999, the Corporation had 100,000,000 common shares authorized and 62,525,412 shares outstanding. Outstanding shares were reduced by 4,329,962 shares of treasury stock at December 31, 2000 and 4,382,564 shares at December 31, 1999. The Corporation may be required to issue additional shares to satisfy common share purchases related to the employee stock ownership plan described in NOTE 21. The dilutive effect of stock options outstanding on average shares outstanding in the diluted earnings per share reported on the income statement were 59,742, 236,230 and 332,454 shares at December 31, 2000, 1999 and 1998 respectively.

During 2000 and 1999, 78,380 and 3,921,668 shares of treasury stock were acquired at an average price of $11.14 and $13.09, respectively. Treasury shares consisting of 41,240 and 188,570 were reissued during 2000 and 1999 upon exercise of stock options.

During 2000, 89,742 shares of treasury stock were reissued to fund the buy-out of the insurance agency's joint-venture partner, as described in NOTE 4.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands, except per share data)

NOTE 19—*Income Taxes*

The income tax provision consists of:

	2000	1999	1998
Current tax provision for income exclusive of securities transactions:			
Federal	**$ 12,155**	$ 19,111	$ 13,097
State	**(10)**	16	(11)
Securities transactions	**611**	198	547
Total current tax provision	**12,756**	19,325	13,633
Deferred tax provision (benefit)	**1,533**	287	(1,404)
Total tax provision	**$ 14,289**	$ 19,612	$ 12,229

Temporary differences between financial statement carrying amounts and tax bases of assets and liabilities that represent significant portions of the deferred tax assets (liabilities) at December 31, 2000 and 1999, were as follows:

	2000	1999
Deferred tax assets:		
Allowance for credit losses	**$ 11,765**	$ 11,641
Postretirement benefits other than pensions	**996**	985
Accumulated depreciation	**439**	242
Unrealized loss on securities available for sale	**4,204**	21,702
Other	**894**	827
Total deferred tax assets	**18,298**	35,397
Deferred tax liabilities:		
Accumulated accretion of bond discount	**(389)**	(250)
Lease financing deduction	**(10,643)**	(9,372)
Loan origination fees and costs	**(1,319)**	(628)
Basis difference in assets acquired	**(674)**	(892)
Pension expense	**(231)**	(200)
Other	**(280)**	(262)
Total deferred tax liabilities	**(13,536)**	(11,604)
Net deferred tax asset	**$ 4,762**	$ 23,793

The total tax provision for financial reporting purposes differs from the amount computed by applying the statutory income tax rate to income before income taxes. The differences are as follows:

	2000		1999		1998	
	Amount	**% of Pretax Income**	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax at statutory rate	**$ 21,537**	**35.0**	$ 25,425	35.0	$ 16,179	35.0
Increase (decrease) resulting from:						
Effect of nontaxable income	**(6,595)**	**(10.7)**	(5,247)	(7.2)	(3,894)	(8.4)
Merger expenses	**-0-**	**0.0**	-0-	0.0	542	1.2
State income taxes	**(10)**	**(0.0)**	16	0.0	(11)	(0.0)
Other	**(643)**	**(1.1)**	(582)	(0.8)	(587)	(1.3)
Total tax provision	**$ 14,289**	**23.2**	$ 19,612	27.0	$ 12,229	26.5

NOTE 20—*Retirement Plans*

All employees with at least one year of service are eligible to participate in the employee stock ownership plan ("ESOP"). Contributions to the plan are determined by the board of directors, and are based upon a prescribed percentage of the annual compensation of all participants. The ESOP acquired 484,178 shares of the Corporation's common stock in 1998 at a corresponding cost of $6,000, which the Corporation borrowed and concurrently loaned this amount to the ESOP. This amount represents leveraged and unallocated shares, and accordingly has been recorded as long-term debt and the offset as a reduction of common shareholders' equity. Compensation costs related to the plan were $1,005 in 2000, $1,555 in 1999 and $1,068 in 1998 (See NOTE 21).

The Corporation also has a savings plan pursuant to the provisions of section 401(k) of the Internal Revenue Code. Under the terms of the plan, each participant will receive an automatic employer contribution to the plan in an amount equal to 3% of compensation. Each participating employee may contribute up to 10% of compensation to the plan of which up to 4% is matched 100% by the employer's contribution. Prior to 1999, each participant could contribute up to 5% of compensation to the plan, which was matched by the employer's contribution equal to 80% of the employee's contribution. The 401(k) plan expense was $2,444 in 2000, $2,328 in 1999 and $2,261 in 1998.

Upon shareholder approval at the regular 1998 meeting the Corporation established a "Supplemental Executive Retirement Plan" ("SERP") to provide deferred compensation for a select group of management. The purpose of this plan is to restore some of the benefits lost to the highly compensated employees compared to other employees due to limits and restrictions incorporated into the Corporation's 401(k) and ESOP plans. The Corporation's 401(k) and ESOP plans include restrictions on maximum compensation, actual deferral percentage, actual contribution, maximum contribution and maximum salary reduction which are required in order to meet specific legal requirements.

Participants in the SERP may elect to contribute up to 10% of plan compensation (compensation in excess of limits of the Corporation's 401(k) and ESOP plans) into the SERP, through salary reduction. The Corporation will make an elective contribution to the SERP equal to the elective contribution of the participant. Each participant of the SERP will also receive a matching contribution equal to 100% of the employee's elective contribution up to 4%, and an additional non-elective contribution from the employer equal to 8% of plan compensation. For 1998, each participant could make an elective contribution for up to 5% of plan compensation which was matched by an employers' contribution equal to 80% of the employee's contribution.

The SERP will continue to supplement the Corporation's 401(k) and ESOP plans and will therefore be modified at the same time and in the same respect as the basic plans are modified in future periods. The SERP plan expense was $182 in 2000, $153 in 1999, and $62 in 1998.

Pension Plan of Acquired Subsidiary

Southwest's noncontributory defined benefit pension plan covers all eligible employees and provides benefits that are based on each employee's years of service and compensation.

Effective December 31, 1998, participants' accrued benefit in the Southwest Bank Pension Plan was frozen. Participants became participants in the First Commonwealth Financial Corporation ESOP Plan with no lapse in credited service, and no loss of accrued benefits. The Southwest Bank Plan is expected to be terminated at some future date, with distribution made in accordance with Plan provisions and applicable regulations.

Net periodic pension cost of this plan for each of the last three years was as follows:

	2000	1999	1998
Service cost	**$ -0-**	$ -0-	$ 365
Interest cost on projected benefit obligation	**343**	394	469
Actual return on plan assets	**(542)**	(261)	(425)
Net amortization and deferral	**93**	(153)	(179)
Net periodic pension cost (benefit)	**$ (106)**	$ (20)	$ 230

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

	2000	1999
Market value of plan assets, primarily registered investment companies, U.S. government and agency obligations and money markets	**$ 6,785**	$ 6,485
Projected benefit obligation	**5,822**	5,765
Plan assets greater than projected benefit obligation	**963**	720
Unrecognized net transition asset	**(62)**	(92)
Unrecognized net loss (gain)	**(223)**	(56)
Prepaid pension expense recognized on the balance sheet	**$ 678**	$ 572
Actuarial present value of accumulated benefits, including vested benefits of $5,665 and $5,588	**$ 5,822**	$ 5,765

The following table sets forth the change in benefit obligation:

	2000	1999
Benefit obligation at beginning of year	**$ 5,765**	$ 7,926
Service cost	**-0-**	-0-
Interest cost	**343**	394
Benefit payment	**(242)**	(908)
Actuarial loss (gain)	**(44)**	(1,647)
Benefit obligation at end of year	**$ 5,822**	$ 5,765

The following table sets forth the change in plan assets:

	2000	1999
Fair value of plan assets at beginning of year	**$ 6,485**	$ 7,132
Return on plan assets	**542**	261
Employer contribution	**-0-**	-0-
Benefits paid	**(242)**	(908)
Fair value of plan assets at end of year	**$ 6,785**	$ 6,485

Assumptions used in determining the actuarial present value of the projected benefit obligation were as follows at December 31:

	2000	1999
Discount rates	**6.0%**	6.0%
Rates of increase in compensation levels	**N/A**	N/A
Expected long-term rate of return on assets	**6.5**	6.5

Postretirement Benefits other than Pensions for Acquired Subsidiary

Employees of Southwest were covered by a postretirement benefit plan.

Net periodic benefit cost of this plan was as follows:

	2000	1999	1998
Service cost	**$ 7**	$ 13	$ 61
Interest cost on projected benefit obligation	**190**	197	259
Amortization of transition obligation	**2**	2	55
Loss amortization	**-0-**	48	82
Net periodic benefit cost	**$ 199**	$ 260	$ 457

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

	2000	1999
Accumulated postretirement benefit obligation:		
Retirees	**$ 3,413**	$ 2,762
Fully eligible active plan participants	**14**	14
Other plan participants	**163**	183
Total accumulated postretirement benefit obligation	**3,590**	2,959
Plan assets at fair value	**-0-**	-0-
Accumulated postretirement benefit obligation in excess of plan assets	**3,590**	2,959
Unrecognized transition obligation	**(19)**	(21)
Unrecognized net loss	**(729)**	(56)
Accrued benefit liability recognized on the balance sheet	**$ 2,842**	$ 2,882

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands, except per share data)

NOTE 20—*Retirement Plans (continued)*

Postretirement Benefits other than Pensions for Acquired Subsidiary (continued)

The following table sets forth the change in benefit obligation:

	2000	1999
Benefit obligation at beginning of year	**$ 2,959**	$ 3,414
Service cost	**7**	13
Interest cost	**190**	197
Benefit payments	**(239)**	(225)
Actuarial loss (gain)	**673**	(440)
Benefit obligation at end of year	**$ 3,590**	$ 2,959

The discount rates used in determining the actuarial present value of the accumulated postretirement benefit obligation were 6.75% for 2000 and 1999. The health care cost trend rates used for 2000 were projected at an initial rate of 6.75% decreasing over time to an annual rate of 4.25% for grandfathered participants and an initial rate of 6.00% decreasing over time to an annual rate of 4.25% for non-grandfathered participants. The health care cost trend rates used for 1999 were projected at an initial rate of 5.75% decreasing over time to an annual rate of 4.50% for grandfathered participants and an initial rate of 5.00% decreasing over time to an annual rate of 4.50% for non-grandfathered participants. This grandfathering is related to cost sharing requirements for different groups of participants for these benefits.

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	$ 15	$ (13)
Effect on postretirement benefit obligation	$ 219	$ (196)

Southwest amended this plan to discontinue participation for active employees December 31, 1998 and to limit participation to employees retiring before January 1, 2002. As the result of this plan curtailment, an additional expense of $1,129 was recorded for 1998.

In February 1998, the FASB issued Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("FAS No. 132") which is effective for years beginning after December 15, 1997. FAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans but does not change the measurement or recognition of those plans.

The adoption of FAS No. 132 did not have a material impact on the Corporation's financial condition or results of operations.

NOTE 21—*Unearned ESOP Shares*

The Corporation had borrowed amounts which were concurrently loaned to the First Commonwealth Financial Corporation Employee Stock Ownership Plan Trust ("ESOP") on the same terms. The combined balances of the ESOP related loans were $5,287 at December 31, 2000 and $6,193 at December 31, 1999.

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

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

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

	Total	Old Shares	New Shares
Shares in suspense December 31, 1998	730,614	178,878	551,736
Shares allocated during 1999	(131,927)	(32,300)	(99,627)
Shares in suspense December 31, 1999	598,687	146,578	452,109
Shares allocated during 2000	(105,166)	(25,748)	(79,418)
Shares in suspense December 31, 2000	493,521	120,830	372,691

The fair market value of the new shares remaining in suspense was approximately $3,727 and $5,425 at December 31, 2000 and 1999 respectively.

Interest on ESOP loans was $446 in 2000, $460 in 1999 and $255 in 1998. During 2000, 1999 and 1998, dividends on unallocated shares in the amount of $354, $369 and $196 respectively were used for debt service while all dividends on allocated shares were allocated to the participants.

NOTE 22—*Stock Option Plan*

At December 31, 2000, the Corporation had a stock-based compensation plan, which is described below. All of the exercise prices and related number of shares have been restated to reflect the previously described stock split. The plan permits the executive compensation committee to grant options for up to 4.5 million shares of the Corporation's common stock through October 15, 2005. Although the vesting requirements and terms of future options granted are

at the discretion of the executive compensation committee, all options granted during 1997 became vested at December 31, 1997 and expire ten years from the grant date, all options granted during 1998 became vested at December 31, 1998 and expire ten years from the grant date, all options granted during 1999 became vested on December 31, 1999 and expire ten years from the grant date and all options granted during 2000 became vested on or before December 31, 2000 and expire ten years from the grant date. The Corporation has elected, as permitted by FAS No. 123, to apply APB Opinion 25 and related Interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized for its stock options outstanding. Had compensation cost for the Corporation's stock option plan been determined based upon the fair value at the grant dates for awards under the plan consistent with the method of FASB Statement 123, the Corporation's net income and earnings per share would have been reduced to the pro forma amounts shown below:

	2000		1999		1998	
	As Reported	**Pro Forma**	As Reported	Pro Forma	As Reported	Pro Forma
Net Income	**$ 47,246**	**$47,130**	$ 53,030	$ 52,197	$33,374	$ 33,374
Basic earnings per share	**$ 0.82**	**$ 0.82**	$ 0.88	$ 0.87	$ 0.54	$ 0.54
Diluted earnings per share	**$ 0.82**	**$ 0.82**	$ 0.88	$ 0.86	$ 0.54	$ 0.54

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes options pricing model with the following weighted average assumptions used:

	2000	1999	1998
Dividend yield	**5.65% per annum**	4.29% per annum	3.75% per annum
Expected volatility	**61.7%**	31.4%	90.0%
Risk-free interest rate	**5.3%**	6.3%	5.1%
Expected option life	**9.1 years**	9.1 years	9.1 years

A summary of the status of the Corporation's outstanding stock options as of December 31, 2000, 1999 and 1998 and changes for the years ending on those dates is presented below:

	2000		1999		1998	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**1,680,178**	**$ 11.07**	1,306,346	$10.53	1,052,548	$ 8.75
Granted	**705,429**	**$ 11.06**	610,416	$11.56	404,016	$14.69
Exercised	**(41,240)**	**$ 7.93**	(188,570)	$ 8.66	(131,138)	$ 8.72
Forfeited	**(133,716)**	**$ 11.63**	(48,014)	$12.08	(19,080)	$ 9.81
Outstanding at end of year	**2,210,651**	**$ 11.12**	1,680,178	$11.07	1,306,346	$10.53
Exercisable at end of year	**2,210,651**	**$ 11.12**	1,680,178	$11.07	956,058	$11.06

The following table summarizes information about the stock options outstanding at December 31, 2000.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/00	Weighted-Average Remaining Contract Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/00	Weighted-Average Exercise Price
$ 2.79	9,680	1.3	$ 2.79	9,680	$ 2.79
$ 4.035	8,800	2.2	$ 4.04	8,800	$ 4.04
$ 9.1875-9.25	649,364	6.0	$ 9.22	649,364	$ 9.22
$ 11.0625	658,709	9.1	$ 11.06	658,709	$11.06
$ 11.1825-11.5625	553,902	8.1	$ 11.56	553,902	$11.56
$ 14.6875	330,196	7.2	$ 14.69	330,196	$14.69
Total	2,210,651		$ 11.12	2,210,651	$11.12

NOTE 23—*Commitments and Contingent Liabilities*

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

NOTE 24—*Related Party Transactions*

Some of the Corporation's or its subsidiaries' directors, executive officers, principal shareholders and their related interests, had transactions with the subsidiary banks in the ordinary course of business. All loans and commitments to loans in such transactions were made on substantially the same terms, including collateral and interest rates, as those prevailing at the time for comparable transactions. In the opinion of management, these transactions do not involve more than the normal risk of collectibility nor do they present other unfavorable features. It is anticipated that further such extensions of credit will be made in the future.

The following is an analysis of loans to those parties whose aggregate loan balances exceeded $60 during 2000.

Balances December 31, 1999	$ 8,404
Advances	8,394
Repayments	(7,114)
Other	(268)
Balances December 31, 2000	$ 9,416

"Other" primarily reflects the change in those classified as a "related party" as a result of mergers, resignations and retirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar Amounts in Thousands)

NOTE 25—*Regulatory Restrictions and Capital Adequacy*

The amount of funds available to the parent from its subsidiary banks is limited by restrictions imposed on all financial institutions by banking regulators. At December 31, 2000, dividends from subsidiary banks were restricted not to exceed $91,344. These restrictions have not had, and are not expected to have, a significant impact on the Corporation's ability to meet its cash obligations.

The Corporation is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and its banking subsidiaries must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Corporation's capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weighting, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation to maintain minimum amounts and ratios of total and Tier I capital (common and certain other "core" equity capital) to risk weighted assets, and of Tier I capital to average assets. As of December 31, 2000, the Corporation and its banking subsidiaries meet all capital adequacy requirements to which they are subject.

As of December 31, 2000, the most recent notifications from the Federal Reserve Board and Federal Deposit Insurance Corporation categorized First Commonwealth Bank and Southwest Bank as well capitalized under the regulatory framework for prompt corrective action. To be considered as well capitalized, the banks must maintain minimum total risk-based capital, Tier I risk-based capital and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institutions' category.

	Actual		Regulatory Minimum		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 401,516	14.5%	$ 221,294	8.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 283,624	12.9%	$ 175,783	8.0%	$ 219,728	10.0%
Southwest Bank	$ 91,416	16.9%	$ 43,261	8.0%	$ 54,077	10.0%
Tier I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 367,915	13.3%	$ 110,647	4.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 257,789	11.7%	$ 87,891	4.0%	$ 131,837	6.0%
Southwest Bank	$ 84,656	15.7%	$ 21,631	4.0%	$ 32,446	6.0%
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	$ 367,915	8.5%	$ 129,749	3.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 257,789	7.8%	$ 98,994	3.0%	$ 164,990	5.0%
Southwest Bank	$ 84,656	8.5%	$ 29,758	3.0%	$ 49,596	5.0%
As of December 31, 1999						
Total Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 384,368	14.4%	$ 213,009	8.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 287,968	13.7%	$ 168,687	8.0%	$ 210,859	10.0%
Southwest Bank	$ 92,933	17.6%	$ 42,308	8.0%	$ 52,886	10.0%
Tier I Capital to Risk Weighted Assets						
First Commonwealth Financial Corporation	$ 351,085	13.2%	$ 106,504	4.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 261,744	12.4%	$ 84,344	4.0%	$ 126,515	6.0%
Southwest Bank	$ 86,322	16.3%	$ 21,154	4.0%	$ 31,731	6.0%
Tier I Capital to Average Assets						
First Commonwealth Financial Corporation	$ 351,085	7.4%	$ 141,488	3.0%	Not Applicable	Not Applicable
First Commonwealth Bank	$ 261,744	7.2%	$ 108,724	3.0%	$ 181,207	5.0%
Southwest Bank	$ 86,322	8.2%	$ 31,790	3.0%	$ 52,983	5.0%

NOTE 26—*Condensed Financial Information of First Commonwealth Financial Corporation (parent company only)*

Balance Sheets

	December 31,	
	2000	1999
Assets		
Cash	**$ 6,169**	$ 5,122
Securities available for sale	**81**	103
Loans to affiliated parties	**479**	480
Investment in subsidiaries	**355,680**	330,400
Investment in jointly-owned company	**3,980**	3,477
Premises and equipment	**6,813**	7,064
Dividends receivable from subsidiaries	**3,757**	2,786
Receivable from subsidiaries	**7,325**	3,574
Other assets	**2,174**	2,639
Total assets	**$ 386,458**	$ 355,645
Liabilities and Shareholders' Equity		
Accrued expenses and other liabilities	**$ 2,493**	$ 2,544
Dividends payable	**8,439**	8,141
Loans payable	**5,287**	22,193
Subordinated debentures payable	**36,083**	36,083
Shareholders' equity	**334,156**	286,684
Total liabilities and shareholders' equity	**$ 386,458**	$ 355,645

Statements of Income

	Years Ended December 31,		
	2000	1999	1998
Interest and dividends	**$ 41**	$ 149	$ 251
Dividends from subsidiaries	**61,664**	36,506	28,559
Interest expense	**(5,335)**	(1,758)	(255)
Net securities gains	**-0-**	57	203
Other revenue	**31**	15	1,008
Operating expenses	**(7,451)**	(11,476)	(8,111)
Income before taxes and equity in undistributed earnings of subsidiaries	**48,950**	23,493	21,655
Applicable income tax benefits	**4,340**	4,421	2,348
Income before equity in undistributed earnings of subsidiaries	**53,290**	27,914	24,003
Equity in undistributed earnings of subsidiaries	**(6,044)**	25,116	9,371
Net income	**$ 47,246**	$ 53,030	$ 33,374

Statements of Cash Flows

	Years Ended December 31,		
	2000	1999	1998
Operating Activities			
Net income	**$ 47,246**	$53,030	$33,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**1,263**	1,655	1,470
Net (gains) losses on sale of assets	**-0-**	144	(203)
Decrease (increase) in prepaid income taxes	**212**	(242)	13
Undistributed equity in subsidiaries	**6,044**	(25,116)	(9,371)
Other - net	**97**	(803)	(1,627)
Net cash provided by operating activities	**54,862**	28,668	23,656
Investing Activities			
Transactions with securities available for sale:			
Purchases of investment securities	**-0-**	-0-	(10,091)
Sales of investment securities	**-0-**	102	13,709
Net change in loans to affiliated parties	**1**	17	(28)
Purchases of premises and equipment	**(337)**	(1,491)	(2,051)
Additional net investment in subsidiary	**(3,861)**	(2,406)	(1,770)
Sale of subsidiary	**-0-**	1,709	-0-
Net cash used by investing activities	**(4,197)**	(2,069)	(231)
Financing Activities			
Issuance of subordinated debentures	**-0-**	36,083	-0-
Issuance of other long-term debt	**4,000**	16,000	-0-
Repayment of other long-term debt	**(20,000)**	-0-	-0-
Discount on dividend reinvestment plan purchases	**(593)**	(358)	(1,016)
Treasury stock acquired	**(873)**	(51,331)	(2,123)
Treasury stock reissued	**326**	1,453	2,217
Cash dividends paid	**(32,553)**	(27,825)	(25,746)
Stock option tax benefit	**75**	-0-	-0-
Net cash used by financing activities	**(49,618)**	(25,978)	(26,668)
Net increase (decrease) in cash	**1,047**	621	(3,243)
Cash at beginning of year	**5,122**	4,501	7,744
Cash at end of year	**$ 6,169**	$ 5,122	$ 4,501

Supplemental disclosures

Proceeds from the issuance of subordinated debentures and other long-term debt during 1999 were used primarily to fund the purchase of 3,819,420 shares of the Corporation's common stock pursuant to a "modified Dutch Auction" tender offer.

Noncash investing and financing activities:

	2000	1999	1998
ESOP borrowings	**$ -0-**	$ -0-	$ 6,000
ESOP loan reductions	**$ 906**	$ 1,814	$ 429

The Corporation borrowed $6,000 in 1998 and concurrently loaned this amount to the ESOP on identical terms. The loan was recorded as long-term debt and the offset was recorded as a reduction of common shareholders' equity. Loan payments in the amount of $906 in 2000, $1,814 in 1999 and $429 in 1998 were made by the ESOP thereby reducing the outstanding amount related to unearned ESOP shares to $5,287 at December 31, 2000.

NOTE 27—*Fair Values of Financial Instruments*

Below are various estimated fair values at December 31, 2000 and 1999, as required by Statement of Financial Accounting Standards No. 107 ("FAS No. 107"). Such information, which pertains to the Corporation's financial instruments, is based on the requirements set forth in FAS No. 107 and does not purport to represent the aggregate net fair value of the Corporation. It is the Corporation's general practice and intent to hold its financial instruments to maturity, except for certain securities designated as securities available for sale, and not to engage in trading activities. Many of the financial instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Therefore, the Corporation had to use significant estimations and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and the methodologies in absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

The following methods and assumptions were used by the Corporation in estimating financial instrument fair values:

Cash and short-term instruments: The balance sheet carrying amounts for cash and short-term instruments approximate the estimated fair values of such assets.

Securities: Fair values for securities held to maturity and securities available for sale are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying value of nonmarketable equity securities, such as Federal Home Loan Bank stock, is considered a reasonable estimate of fair value.

Loans receivable: Fair values of variable rate loans subject to frequent repricing and which entail no significant credit risk are based on the carrying values. The estimated fair values of other loans are estimated by discounting the future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The carrying amount of accrued interest is considered a reasonable estimate of fair value.

Off-balance-sheet instruments: Many of the Corporation's off-balance-sheet instruments, primarily loan commitments and standby letters of credit, are expected to expire without being drawn upon, therefore the commitment amounts do not necessarily represent future cash requirements. Management has determined that due to the uncertainties of cash flows and difficulty in predicting the timing of such cash flows, fair values were not estimated for these instruments.

Deposit liabilities: For deposits which are payable on demand at the reporting date, representing all deposits other than time deposits, management estimates that the carrying value of such deposits is a reasonable estimate of fair value. The carrying amounts of variable rate time deposit accounts and certificates of deposit approximate their fair values at the report date. Fair values of fixed rate time deposits are estimated by discounting the future cash flows using interest rates currently being offered and a schedule of aggregated expected maturities. The carrying amount of accrued interest approximates its fair value.

Short-term borrowings: The carrying amounts of short-term borrowings such as Federal funds purchased, securities sold under agreements to repurchase, borrowings from the Federal Home Loan Bank and treasury, tax and loan notes approximate their fair values.

Long-term debt: The carrying amounts of variable rate debt approximate their fair values at the report date. Fair values of fixed rate debt are estimated by discounting the future cash flows using the Corporation's estimated incremental borrowing rate for similar types of borrowing arrangements.

The following table presents carrying amounts and estimated fair values of the Corporation's financial instruments at December 31, 2000 and 1999.

	2000		1999	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and due from banks	**$ 90,723**	**$ 90,723**	$ 92,673	$ 92,673
Interest-bearing deposits with banks	**$ 427**	**$ 427**	$ 1,218	$ 1,218
Federal funds sold	**$ 11,125**	**$ 11,125**	$ 8,700	$ 8,700
Securities available for sale	**$1,238,230**	**$1,238,230**	$1,144,042	$1,144,042
Investments held to maturity	**$ 398,107**	**$ 398,661**	$ 448,347	$ 435,000
Loans, net of allowance	**$2,457,226**	**$2,530,430**	$2,466,520	$2,547,096
Financial liabilities				
Deposits	**$ 3,064,146**	**$3,047,713**	$2,948,829	$2,913,140
Short-term borrowings	**$ 272,171**	**$ 272,171**	$ 424,827	$ 424,827
Long-term debt	**$ 656,855**	**$ 630,511**	$ 638,355	$ 581,254

QUARTERLY SUMMARY OF FINANCIAL DATA - UNAUDITED

(Dollar Amounts in Thousands, except per share data)

The unaudited quarterly results of operations for the years ended December 31, 2000 and 1999 are as follows (Amounts in prior periods have been reclassified to conform to the presentation format used at December 31, 2000. The reclassifications had no effect on net income or earnings per share.):

	2000			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Interest income	**$ 76,943**	**$ 77,317**	**$ 78,471**	**$79,151**
Interest expense	**41,504**	**42,443**	**44,734**	**45,858**
Net interest income	**35,439**	**34,874**	**33,737**	**33,293**
Provision for credit losses	**2,505**	**2,415**	**2,505**	**2,605**
Net interest income after provision for credit losses	**32,934**	**32,459**	**31,232**	**30,688**
Securities gains	**-0-**	**1,686**	**-0-**	**59**
Other operating income	**7,358**	**8,254**	**8,242**	**8,084**
Other operating expenses	**25,150**	**25,048**	**24,709**	**24,554**
Income before income taxes	**15,142**	**17,351**	**14,765**	**14,277**
Applicable income taxes	**3,691**	**4,261**	**3,209**	**3,128**
Net income	**$ 11,451**	**$ 13,090**	**$ 11,556**	**$11,149**
Basic earnings per share	**$ 0.20**	**$ 0.23**	**$ 0.20**	**$ 0.19**
Diluted earnings per share	**$ 0.20**	**$ 0.23**	**$ 0.20**	**$ 0.19**
Average shares outstanding	**57,505,462**	**57,515,772**	**57,565,411**	**57,648,021**
Average shares outstanding assuming dilution	**57,606,948**	**57,566,079**	**57,601,162**	**57,699,795**

	1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$ 71,463	$ 73,266	$ 74,939	$76,421
Interest expense	36,740	36,989	38,154	40,770
Net interest income	34,723	36,277	36,785	35,651
Provision for credit losses	2,213	2,337	2,363	2,537
Net interest income after provision for credit losses	32,510	33,940	34,422	33,114
Securities gains	563	-0-	2	-0-
Other operating income	8,140	10,834	7,476	7,210
Other operating expenses	24,674	24,010	23,344	23,541
Income before income taxes	16,539	20,764	18,556	16,783
Applicable income taxes	4,534	5,938	4,804	4,336
Net income	$ 12,005	$ 14,826	$ 13,752	$12,447
Basic earnings per share (a)	$ 0.20	$ 0.24	$ 0.22	$ 0.22
Diluted earnings per share (a)	$ 0.20	$ 0.24	$ 0.22	$ 0.21
Average shares outstanding (a)	61,152,708	61,203,388	61,290,374	57,713,182
Average shares outstanding assuming dilution (a)	61,432,570	61,376,932	61,491,946	58,003,391

(a) Where applicable, per share amounts have been restated to reflect the two-for-one stock split effected in the form of a 100% stock dividend declared on October 19, 1999.

SELECTED FINANCIAL DATA

(Dollar Amounts in Thousands, except per share data)

The following selected financial data is not covered by the auditor's report and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows, and with the consolidated financial statements and related notes. All amounts have been restated to reflect the poolings of interests. Financial statement amounts for prior periods have also been reclassified to conform to the presentation format used in 2000. The reclassifications had no effect on the Corporation's financial condition or result of operations.

	Years Ended December 31,				
	2000	1999	1998	1997	1996
Interest income	**$ 311,882**	$ 296,089	$ 282,067	$ 253,917	$ 234,957
Interest expense	**174,539**	152,653	148,282	124,427	109,189
Net interest income	**137,343**	143,436	133,785	129,490	125,768
Provision for credit losses	**10,030**	9,450	15,049	10,152	6,301
Net interest income after provision for credit losses	**127,313**	133,986	118,736	119,338	119,467
Securities gains	**1,745**	565	1,457	6,825	1,599
Other operating income	**31,938**	33,660	27,929	20,599	18,482
Merger and related charges	**-0-**	-0-	7,915	-0-	-0-
Other operating expenses	**99,461**	95,569	93,980	89,885	86,191
Income before taxes and extra-ordinary items	**61,535**	72,642	46,227	56,877	53,357
Applicable income taxes	**14,289**	19,612	12,229	17,338	16,164
Net income before extraordinary items	**47,246**	53,030	33,998	39,539	37,193
Extraordinary items (less applicable taxes of $336)	**-0-**	-0-	(624)	-0-	-0-
Net income	**$ 47,246**	$ 53,030	$ 33,374	$ 39,539	$ 37,193
Per Share Data (a)					
Net income before extraordinary items	**$ 0.82**	$ 0.88	$ 0.55	$ 0.64	$ 0.60
Extraordinary items	**0.00**	0.00	(0.01)	0.00	0.00
Net income	**$ 0.82**	$ 0.88	$ 0.54	$ 0.64	$ 0.60
Dividends declared	**$ 0.565**	$ 0.515	$ 0.445	$ 0.41	$ 0.37
Average shares outstanding	**57,558,929**	60,333,092	61,333,572	61,671,898	62,310,086
Per Share Data Assuming Dilution (a)					
Net income before extraordinary items	**$ 0.82**	$ 0.88	$ 0.55	$ 0.64	$ 0.60
Extraordinary items	**0.00**	0.00	(0.01)	0.00	0.00
Net income	**$ 0.82**	$ 0.88	$ 0.54	$ 0.64	$ 0.60
Dividends declared	**$ 0.565**	$ 0.515	$ 0.445	$ 0.41	$ 0.37
Average shares outstanding	**57,618,671**	60,569,322	61,666,026	61,845,674	62,381,790
At End of Period					
Total assets	**$ 4,372,312**	$ 4,340,846	$ 4,096,789	$ 3,668,557	$ 3,339,996
Investment securities	**1,636,337**	1,592,389	1,525,332	1,015,798	901,411
Loans and leases, net of unearned income	**2,490,827**	2,500,059	2,374,850	2,436,337	2,236,523
Allowance for credit losses	**33,601**	33,539	32,304	25,932	25,234
Deposits	**3,064,146**	2,948,829	2,931,131	2,884,343	2,756,111
Company obligated mandatorily redeemable capital securities of subsidiary trust	**35,000**	35,000	-0-	-0-	-0-
Other long-term debt	**621,855**	603,355	630,850	193,054	52,737
Shareholders' equity	**334,156**	286,683	355,405	354,323	341,522
Key Ratios					
Return on average assets	**1.10%**	1.25%	0.85%	1.15%	1.17%
Return on average equity	**15.65%**	15.44%	9.13%	11.31%	11.07%
Net loans to deposit ratio	**80.19%**	83.64%	79.92%	83.57%	80.23%
Dividends per share as a percent of net income per share	**68.90%**	58.52%	82.41%	64.06%	61.67%
Average equity to average assets ratio	**7.00%**	8.10%	9.28%	10.16%	10.53%

(a) Where applicable, per share amounts have been restated to reflect the two-for-one stock split effected in the form of a 100% stock dividend declared on October 19, 1999.

Introduction

This discussion and the related financial data are presented to assist in the understanding and evaluation of the consolidated financial condition and the results of operations of First Commonwealth Financial Corporation including its subsidiaries (The "Corporation") for the years ended December 31, 2000, 1999 and 1998 and are intended to supplement, and should be read in conjunction with, the consolidated financial statements and related footnotes.

In addition to historical information, this discussion and analysis contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Corporation undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

The Corporation acquired Southwest National Corporation and its subsidiary ("Southwest") effective December 31, 1998. The merger was accounted for as a pooling of interests and accordingly, all financial statements have been restated as though the merger had occurred at the beginning of the earliest period presented. During the fourth quarter of 1997 the Corporation formed First Commonwealth Insurance Agency ("FCIA") as a subsidiary of First Commonwealth Bank ("FCB"), a commercial banking subsidiary of the Corporation. FCIA began marketing a wide range of insurance and annuity products to the Corporation's retail and commercial customers beginning January 1, 1998.

On October 19, 1999, the Corporation's Board of Directors approved a 2-for-1 stock split effected in the form of a 100% stock dividend. Shareholders of record at the close of business November 4, 1999 received one additional share for each share held. The additional shares were distributed on November 18, 1999. Share data for all periods presented has been restated to reflect the stock split as if it had occurred at the beginning of the earliest period presented.

Financial statements amounts in prior periods have been reclassified to conform to the presentation format used in 2000. The reclassifications had no effect on the Corporation's financial condition or results of operations.

Results of Operations

Net income in 2000 was $47.2 million, reflecting a decrease of $5.8 million from 1999 results of $53.0 million and compared to $33.4 million reported in 1998. The decrease in net income for 2000 was primarily the result of gains on sale of loans which were realized during 1999. The 1998 period was impacted negatively by a number of merger and other related charges totaling $7.9 million. These charges included merger expenses for the acquisition of Southwest National Corporation, early retirement and postretirement benefit accruals and premises and equipment expenses to standardize depreciation methods. Extraordinary items for 1998 resulted from a single transaction whereby the Corporation incurred a cost of $960 thousand for the prepayment of FHLB term borrowings. This transaction was executed as part of the Corporation's repositioning of its balance sheet to reduce exposure to declining interest rates.

Basic earnings per share and diluted earnings per share were $0.82 for 2000 compared to basic earnings per share and diluted earnings per share of $0.88 for 1999. Basic earnings per share and diluted earnings per share were $0.54 for 1998. Basic earnings per share excluding gains on sale of assets was $0.79 for 2000 compared to $0.82 for 1999. Return on average assets was 1.10% and return on average equity was 15.65% during 2000 compared to 1.25% and 15.44%, respectively for 1999. Return on average assets was 0.85% during 1998 while return on average equity was 9.13%.

The following is an analysis of the impact of changes in net income on basic earnings per share:

	2000 vs. 1999	1999 vs. 1998
Net income per share, prior year	$ 0.88	$ 0.54
Increase (decrease) from changes in:		
Net interest income	0.01	0.20
Provision for credit losses	(0.02)	0.09
Security transactions	0.02	(0.01)
Gain on sale of loans	(0.08)	0.06
Other income	0.07	0.05
Salaries and employee benefits	(0.09)	(0.03)
Occupancy and equipment costs	(0.02)	0.00
Merger and other related charges	0.00	0.13
Other expenses	(0.03)	(0.03)
Provision for income taxes	0.08	(0.13)
Extraordinary items, net of tax	0.00	0.01
Net income per share	$ 0.82	$ 0.88

Net interest income, the most significant component of earnings, is the amount by which interest generated from earning assets exceeds interest expense on liabilities. Net interest income was $137.3 million in 2000 compared to $143.4 million in 1999 and $133.8 million in 1998. The following is an analysis of the average balance sheets and net interest income for each of the three years in the period ended December 31, 2000.

Average Balance Sheets and Net Interest Analysis
(Dollar Amounts in Thousands)

	2000			1999			1998		
	Average Balance	**Income/ Expense**	**Yield or Rate(a)**	Average Balance	Income/ Expense	Yield or Rate(a)	Average Balance	Income/ Expense	Yield or Rate(a)
Assets									
Interest-earning assets:									
Time deposits with banks	**$ 1,220**	**$ 82**	**6.71%**	$ 1,844	$ 121	6.56%	$ 3,692	$ 230	6.23%
Investment securities	**1,572,290**	**103,018**	**6.88**	1,608,467	100,853	6.59	1,271,319	78,205	6.43
Federal funds sold	**3,821**	**234**	**6.12**	2,097	105	5.01	35,521	1,893	5.33
Loans (b) (c), net of unearned income	**2,503,036**	**208,548**	**8.50**	2,408,450	195,010	8.21	2,439,436	201,739	8.38
Total interest-earning assets	**4,080,367**	**311,882**	**7.87**	4,020,858	296,089	7.56	3,749,968	282,067	7.69
Noninterest-earning assets:									
Cash	**74,178**			80,716			78,999		
Allowance for credit losses	**(34,296)**			(33,757)			(27,388)		
Other assets	**191,534**			174,063			138,114		
Total noninterest-earning assets	**231,416**			221,022			189,725		
Total Assets	**$ 4,311,783**			$ 4,241,880			$ 3,939,693		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits (d)	**$ 386,149**	**$ 9,593**	**2.48%**	$ 386,124	$ 8,375	2.17%	$ 341,835	$ 7,579	2.22%
Savings deposits (d)	**652,647**	**17,027**	**2.61**	712,637	17,769	2.49	715,814	21,379	2.99
Time deposits	**1,585,694**	**88,887**	**5.61**	1,499,857	77,187	5.15	1,530,491	85,002	5.55
Short-term borrowings	**371,286**	**22,218**	**5.98**	279,269	13,832	4.95	195,334	10,214	5.23
Long-term debt	**632,837**	**36,814**	**5.82**	643,746	35,490	5.51	430,677	24,108	5.60
Total interest-bearing liabilities	**3,628,613**	**174,539**	**4.81**	3,521,633	152,653	4.33	3,214,151	148,282	4.61
Noninterest-bearing liabilities and capital:									
Noninterest-bearing demand deposits (d)	**349,259**			345,311			328,720		
Other liabilities	**31,971**			31,439			31,177		
Shareholders' equity	**301,940**			343,497			365,645		
Total noninterest-bearing funding sources	**683,170**			720,247			725,542		
Total Liabilities and Shareholders' Equity	**$ 4,311,783**			$ 4,241,880			$ 3,939,693		
Net Interest Income and Net Yield on Interest-earning Assets		**$ 137,343**	**3.59%**		$ 143,436	3.76%		$ 133,785	3.73%

(a) Yields on interest-earning assets have been computed on a tax equivalent basis using the 35% Federal income tax statutory rate.
(b) Income on nonaccrual loans is accounted for on the cash basis, and the loan balances are included in interest-earning assets.
(c) Loan income includes net loan fees.
(d) Average balances do not include reallocations from noninterest-bearing demand deposits and interest-bearing demand deposits into savings deposits which were made for regulatory purposes.

Both interest income and interest expense increased over 1999 levels as a result of both volume increases and rate increases. Average interest-earning assets increased $59.5 million while average interest-bearing liabilities increased $107.0 million in 2000. Asset yields, on a tax-equivalent basis, increased 31 basis points (0.31%) during 2000 to 7.87%, from 7.56% reported in 1999 and compared to 7.69% reported in 1998. The cost of funds for 2000 increased 48 basis points (0.48%) over 1999 costs of 4.33% and compared to costs of 4.61% for 1998.

Interest and fees on loans increased $13.5 million for 2000 over 1999 levels, primarily as a result of volume and rate increases for commercial loans. Enhanced marketing strategies continue to enable the Corporation to capitalize on lending opportunities

with small to mid-sized commercial customers, including Small Business Administration ("SBA") loans generated through the Corporation's preferred lender status. Average loans for 2000 increased $94.6 million compared to 1999 averages and included increases in commercial loans and municipal loans which were partially offset by decreases in average consumer loans. The decrease in average consumer loans for the 2000 period resulted from the sale of $42.2 million of 1-4 family residential mortgage loans in the first quarter of 1999 and the sale of $20.4 million of consumer credit card loans during the second quarter of 1999.

Interest and fees on loans also reflected increases due to rate of $6.2 million during 2000 as loan yields increased 29 basis points (0.29%) during 2000 to 8.50% from 8.21% reported for 1999 and compared to 8.38% during 1998. Mortgage portfolio yields rose 17 basis points (0.17%) for 2000 compared to 1999 as "teaser-rates" on innovative loan products introduced in previous years were phased out. Yields on commercial loans, municipal loans, and both secured and unsecured revolving credit loans for 2000 also reflected increases compared to 1999 yields reflecting the increase in general interest rates.

Interest income on investments increased $2.2 million for 2000 compared to 1999, as rate increases during 2000 were only partially offset by volume decreases. Yields on investments for 2000 were 6.88% compared to 6.59% for 1999 and 6.43% for 1998. Increases in interest income due to rate for U.S. government agency securities were $2.4 million during 2000 as yields on U.S. government agency securities increased 22 basis points (0.22%) compared to 1999 yields. Prepayment speeds of mortgage backed securities which had slowed during 1999 as interest rates rose, began to accelerate at the end of 2000 as interest rates began to decline. The primary risk of owning MBS relates to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact on prepayment speeds. As interest rates increase, prepayment speeds generally decline, resulting in a longer average life of a MBS. Conversely as interest rates decline, prepayment speeds increase, resulting in a shorter average life of a MBS. Using computer simulation models, the Corporation tests the average life and yield volatility of all MBSs under various interest rate scenarios on a regular basis to insure that volatility falls within acceptable limits. The Corporation holds no "high risk" securities nor does the Corporation own any securities of a single issuer exceeding 10% of shareholders' equity other than U.S. government and agency securities.

Decreases in interest income on investments due to volume of $2.4 million during 2000 resulted primarily from volume decreases for U.S. government agency securities which were partially offset by volume increases for corporate bonds. Average balances of U.S. government agency securities decreased $111.6 million for 2000 compared to 1999 averages as an inverted yield curve prevented a reinvestment of proceeds generated by paydowns at a positive spread. Average balances of corporate bonds increased $66.1 million over the same time period primarily as a result of investment in trust preferred securities.

Interest on deposits increased $12.2 million for 2000 compared to 1999 as both volumes and rates increased over 1999 levels. Average time deposits increased $85.8 million for 2000 compared to 1999, resulting in an increase in interest expense due to volume of $4.4 million. Increases in average time deposits for 2000 compared to 1999 averages were partially offset by decreases in average savings deposits of $60.0 million. The cost of time deposits for 2000 increased by 46 basis points (0.46%) compared to 1999 costs of 5.15%, resulting in an increase in interest expense due to rate of $7.3 million. Interest on total savings deposits for 2000 also reflected increases due to rate of $2.0 million as deposit costs for total savings deposits increased 18 basis points (0.18%) for 2000 compared to 1999. Average balances of noninterest-bearing demand deposits for 2000 reflected an increase of $3.9 million compared to 1999 averages.

Interest expense on short-term borrowings increased $8.4 million during 2000 as the average balance of repurchase agreements increased $150.9 million. The cost of short-term borrowings for 2000 also increased by 103 basis points (1.03%) compared to 1999 costs of 4.95%.

Interest expense on long-term debt increased $1.3 million for 2000 compared to the 1999 period. The long-term debt increase for 2000 resulted primarily from the funding of the repurchase of 3.8 million shares of the Corporation's common stock through a "modified Dutch Auction" tender offer during 1999. The aggregate amount of $49.7 million paid by the Corporation in connection with the repurchase of common shares was funded through the issuance of capital securities and the issuance of a bank loan from an unrelated financial institution. Capital securities borrowings in the amount of $35 million were issued during the third quarter of 1999 bearing an interest rate of 9.50% and maturing in thirty years, consequently interest expense on capital securities for 2000 was $3.3 million compared to $1.0 million for 1999. The parent company incurred a $16 million bank loan during 1999 primarily to fund the remaining cost of the stock repurchase. (See NOTE 16 to the financial statements for a description of the Company obligated mandatorily

redeemable capital securities of subsidiary trust and NOTE 17 to the financial statements for a description of the bank loan incurred).

Net interest margin (net interest income, on a tax-equivalent basis as a percentage of average earning assets), was 3.59% during 2000 compared to 3.76% in 1999 and 3.73% in 1998.

The Corporation's use of computer modeling to manage interest rate risk is described in the "Interest Sensitivity" section of this discussion herein.

The following table shows the effect of changes in volumes and rates on interest income and interest expense.

Analysis of Year-to-Year Changes in Net Interest Income
(Dollar Amounts in Thousands)

	2000 Change from 1999			1999 Change from 1998		
	Total Change	Change Due to Volume	Change Due to Rate	Total Change	Change Due to Volume	Change Due to Rate
Interest-earning assets:						
Time deposits with banks	$ (39)	$ (41)	$ 2	$ (109)	$ (115)	$ 6
Securities	2,165	(2,383)	4,548	22,648	21,682	966
Federal funds sold	129	86	43	(1,788)	(1,781)	(7)
Loans	13,538	7,765	5,773	(6,729)	(2,596)	(4,133)
Total interest income	15,793	5,427	10,366	14,022	17,190	(3,168)
Interest-bearing liabilities:						
Deposits	12,176	2,922	9,254	(10,629)	(815)	(9,814)
Short-term borrowings	8,386	4,558	3,828	3,618	4,389	(771)
Long-term debt	1,324	(601)	1,925	11,382	11,927	(545)
Total interest expense	21,886	6,879	15,007	4,371	15,501	(11,130)
Net interest income	$ (6,093)	$ (1,452)	$ (4,641)	$ 9,651	$ 1,689	$ 7,962

The provision for credit losses is an amount added to the allowance against which credit losses are charged. The amount of the provision is determined by management based upon its assessment of the size and quality of the loan portfolio and the adequacy of the allowance in relation to the risks inherent within the loan portfolio. The provision for credit losses was $10.0 million in 2000 compared to $9.5 million in 1999 and $15.0 million in 1998. The 1998 period contains an additional provision of $4.2 million recorded in the fourth quarter of 1998 to reflect changing economic conditions. The allowance for credit losses was $33.6 million at December 31, 2000, for a ratio of 1.35% of actual loans outstanding. The ratio of the allowance for credit losses to total loans outstanding as of December 31, 2000 has increased slightly from the 1.34% reported as of December 31, 1999. Net charge-offs for 2000 reflected increases in charge-offs of commercial loans not secured by real estate of $2.0 million and revolving credit loans of $269 thousand which were partially offset by decreases in net charge-offs of 1-4 family residential mortgages, consumer installment and commercial loans secured by real estate. Net charge-offs against the allowance for credit losses were $10.0 million, or 0.40% of average total loans in 2000. This compared to net charge-offs of $8.2 million in 1999 and $8.7 million in 1998. Net charge-offs were 0.34% and 0.36% of average total loans during 1999 and 1998, respectively. For an analysis of credit quality, see the "Credit Review" section of this discussion.

The following table presents an analysis of the consolidated allowance for credit losses for the five years ended December 31, 2000 (Dollar Amounts in Thousands):

Summary of Loan Loss Experience

	2000	1999	1998	1997	1996
Loans outstanding at end of year	**$ 2,490,827**	$ 2,500,059	$ 2,374,850	$ 2,436,337	$ 2,236,523
Average loans outstanding	**$ 2,503,036**	$ 2,408,450	$ 2,439,436	$ 2,330,657	$ 2,060,196
Allowance for credit losses:					
Balance, beginning of year	**$ 33,539**	$ 32,304	$ 25,932	$ 25,234	$ 23,803
Loans charged off:					
Commercial, financial and agricultural	**4,335**	1,821	1,513	1,473	633
Loans to individuals	**5,521**	6,126	7,293	8,022	5,069
Real estate-construction	**-0-**	-0-	-0-	-0-	-0-
Real estate-commercial	**130**	427	812	664	440
Real estate-residential	**874**	1,035	690	819	195
Lease financing receivables	**407**	187	319	-0-	26
Total loans charged off	**11,267**	9,596	10,627	10,978	6,363
Recoveries of loans previously charged off:					
Commercial, financial and agricultural	**406**	290	462	223	263
Loans to individuals	**826**	1,057	1,328	1,218	1,033
Real estate-construction	**-0-**	-0-	-0-	-0-	-0-
Real estate-commercial	**-0-**	-0-	70	13	83
Real estate-residential	**42**	33	87	57	109
Lease financing receivables	**25**	1	3	13	5
Total recoveries	**1,299**	1,381	1,950	1,524	1,493
Net loans charged off	**9,968**	8,215	8,677	9,454	4,870
Provision charged to expense	**10,030**	9,450	15,049	10,152	6,301
Balance, end of year	**$ 33,601**	$ 33,539	$ 32,304	$ 25,932	$ 25,234
Ratios:					
Net charge-offs as a percentage of average loans outstanding	**0.40%**	0.34%	0.36%	0.41%	0.24%
Allowance for credit losses as a percentage of average loans outstanding	**1.34%**	1.39%	1.32%	1.11%	1.22%

Net securities gains increased $1.2 million during 2000 from $565 thousand reported in 1999 and compared to $1.5 million in 1998. The securities gains during 2000 resulted primarily from the sale of Pennsylvania bank stocks with a book value of $19.9 million. The securities gains during 1999 resulted in part from the sales of fixed rate U.S. government agency securities and U.S. treasury securities classified as securities "available for sale" having book values of $15.0 million and $21.9 million, respectively, which resulted in securities gains of $167 thousand and $317 thousand, respectively. Proceeds from the sale of U.S. treasury securities in 1999 were the primary funding source for the acquisition of $20 million of bank owned life insurance during the first quarter of 1999. The security gains during 1998 resulted in part from the third and fourth quarter sales of floating collateralized mortgage obligations classified as securities "available for sale" having book values of $87.9 million and $16.1 million respectively, which resulted in security gains of $1.7 million during the third quarter and security losses of $803 thousand during the fourth quarter. These securities were sold to reduce the exposure to accelerated prepayments in a declining interest rate environment. The $89.6 million proceeds from the sale of securities in the third quarter of 1998 were used to reduce outstanding Federal funds purchased while the $15.3 million proceeds in the fourth quarter of 1998 were reinvested in higher yielding municipal securities. The 1998 securities gains also included the sale of U.S. treasury securities having a book value of $45.8 million with the proceeds being reinvested in mortgage backed and other U.S. government agency securities with similar average expected maturities and the sale of Pennsylvania bank stocks having a book value of $5.2 million. Securities losses of $586 thousand were incurred during the fourth quarter of 1998 primarily as a result of the sale of mutual funds classified as equity securities having a book value of $5.8 million.

Trust income of $5.6 million for 2000 compared to $5.5 million for 1999 and $5.3 million for 1998. Enhanced referral programs and integrated growth plans for financial affiliates have been initiated to help improve sales in various areas including trust assets managed. Additional noninterest income analysis is planned for 2001 through the use of recently implemented customer and product profitability systems. Conversion of deposit processing systems utilized by the Corporation's data processing subsidiary to new software during 2001 will facilitate the offering of enhanced deposit products and services which are expected to increase deposit fees in future periods.

Gains on sale of loans decreased $4.7 million for 2000 from 1999 gains on sale of loans of $5.0 million and compared to $1.6 million reported in 1998. Gains on sale of loans for the 1999 period resulted primarily from the sale of $42.2 million of residential mortgage loans during the first quarter of 1999 and the sale of its $20.4 million retail credit card loans during the second quarter of 1999 which generated gains of $890 thousand and $4.0 million, respectively. Gains on sale of loans for 1998 resulted primarily from the sale of $52.5 million of 1-4 family residential mortgage loans during the fourth quarter of 1998 which resulted in a gain of $1.3 million.

Other income for 2000 was $15.6 million representing an increase of $3.1 million over 1999 income of $12.5 million and compared to $11.4 for 1998. Other income for the 2000 period reflected a gain on sale of fixed assets of $515 thousand and increases in merchant discount of $401 thousand and MAC interchange fees of $628 thousand compared to 1999 revenues. Insurance commissions, which have continued to increases since FCIA's formation in 1998, generated increases of $415 thousand during 2000 compared to 1999. Other income for the 2000 period also included an increase in income from bank owned life insurance of $1.3 million, resulting from claim income and the impact of an additional $15 million investment during 2000. As a result of branch analysis including the evaluation of the potential sale or consolidation of branches competing in the same market area, the Corporation sold two of its branches located in State College, Pennsylvania during 1998 that resulted in a gain of $950 thousand, which is included in other revenue for 1998.

Total other operating expenses increased $3.9 million to $99.5 million for 2000 compared to $95.6 million and $101.9 million in 1999 and 1998, respectively. Total noninterest expense as a percent of average assets was 2.31% for the 2000 period compared to 2.26% for 1999. Employee costs were $52.5 million in 2000, representing 1.22% of average assets compared to $49.8 million and 1.17% of average assets for 1999. Employee costs for 1998 were $48.7 million or 1.24% of average assets. Salary and benefit costs for 2000 were negatively impacted by decreases in deferred loan origination costs as loan volumes for 2000 decreased over 1999 volumes. Although increases in employee insurance expenses of $498 thousand represented an increase of 12.1% for 2000 compared to 1999, these increases were less than anticipated. The Corporation continues to address hospitalization and other employee insurance costs in future periods by utilizing the expertise of FCIA's staff to enable dependable and high quality benefits to be offered in the most cost effective manner. Additional increases in employee benefit costs during 2000 occurred in 401(k) plan expenses as employees took advantage of contribution and investment enhancements to the plan instituted during 1999. The 2000 period included decreases in employee benefit costs for pension and postretirement benefits totaling $504 thousand at Southwest as a result of plan curtailment discussed below.

Salary and benefit costs increased only 2.3% for 1999 compared to 1998 and were favorably impacted by the early retirement plan offered to employees during the fourth quarter of 1998. The success of the early retirement plan accelerated the process of right-sizing the Corporation beyond normal attrition management by adjusting employment levels quickly while continuing the Corporation's tradition of not laying off employees due to merger activity.

Furniture and equipment expenses of $8.2 million for 2000 reflected increases of $501 thousand over 1999 levels and included increases in software depreciation and maintenance costs totaling $358 thousand as well as increases in furniture and equipment depreciation and repairs. The 1999 period reflected decreases in occupancy and furniture and equipment expenses as a result of the sale of two branches in 1998 and the closing or consolidation of several branches in 1999. Computer software depreciation and maintenance costs are expected to increase in future periods as software utilized by the Corporation's data processing subsidiary to process loan and deposit accounts is replaced and placed in service during 2001. The new application software will enable the subsidiary banks to provide customers with enhanced products and services including internet banking. Technology continues to have a great impact on financial services companies and their ability to compete in the marketplace. The Corporation is committed to providing banking, trust and insurance services through traditional branch and telephone channels in the markets we serve, as well as meeting the changing needs of our customers.

Outside data processing expenses were $3.3 million for 2000 compared to $3.4 million for both 1999 and 1998. Outside data processing expenses are managed by the Corporation's data processing subsidiary along with management of internal data processing costs. Outsourced data processing needs are evaluated based on technology, efficiency and cost considerations. This cost would be expected to be reduced by 2002 as Southwest Bank is converted from an outsourced

environment to our internal systems.

Included in the 1998 period were merger and related charges of $7.9 million. Merger expenses incurred during the acquisition of Southwest National Corporation for legal, accounting, printing, filing and other professional services totaled $1.6 million and were expensed during the fourth quarter of 1998. As part of the evaluation of appropriate staffing levels for the Corporation after inclusion of Southwest, an early retirement plan was offered to employees during the fourth quarter of 1998. Salary and benefit costs of the early retirement plan in the amount of $4.7 million are included in merger and other related charges for 1998, as approximately 5% of employees took advantage of this opportunity. In anticipation of the merger of Southwest benefit plans into those of the Corporation in the near future, Southwest curtailed their postretirement benefit plan during the fourth quarter of 1998. An additional accrual adjustment of $1.1 million related to this curtailment is included in merger and other related charges for 1998. Additional merger and other related charges of $462 thousand were incurred during 1998 to standardize depreciation for Southwest to that of the Corporation and to write-off signs and supplies that become obsolete as a result of the merger.

Other operating expenses for 2000 were $25.4 million, an increase of $749 thousand over the $24.6 million reported for 1999. Collection and repossession expenses increased $454 thousand for 2000 compared to 1999 as accelerated collection efforts attempted to reduce nonperforming loan levels and minimize risk of loss in future periods. FDIC expenses increased $180 thousand during 2000, primarily as a result of rate changes implemented when the FDIC Bank Insurance Fund and Savings and Loan Insurance Fund rates were standardized. Express freight charges for 2000 increased $198 thousand compared to 1999 partially because of the impact of gasoline prices on carrier providers. Other operating expenses for 2000 also included increases in advertising and promotions, charge card interchange and checkbook printing expenses. Increases in other operating expenses for 2000 were partially offset by decreases in other professional fees, postage and printing costs of $210 thousand, $171 thousand and $116 thousand, respectively compared to 1999 costs.

Other operating expenses for the 1999 period included an increase in the write-down of mortgage servicing rights in the amount of $336 thousand related to the disposition of BSI. The disposition of BSI in 1999 also resulted in a loss on sale of $202 thousand. Advertising, charge card interchange and telephone expense reflected increases for the 1999 period of $265 thousand, $335 thousand, and $265 thousand, respectively compared to the 1998 period. Since 1999, telephone expenses have been analyzed and successfully reduced during 2000. Other professional fees, legal fees and audit and accounting fees decreased for 1999 compared to 1998.

Income tax expense was $14.3 million during 2000 representing a decrease of $5.3 million over the 1999 amount of $19.6 million and compared to $12.2 million in 1998. The Corporation's effective tax rate was 23.2% for 2000 compared to 27.0% for 1999 and 26.5% for 1998. The reduction in the Corporation's effective tax rate was primarily the result of increased tax free income from municipal loans and bank owned life insurance. Extraordinary items for 1998 resulted from a single transaction whereby the Corporation incurred a cost of $960 thousand for the prepayment of FHLB term borrowings. This transaction was executed as part of the Corporation's repositioning of its balance sheet to reduce exposure to declining interest rates.

Liquidity

Liquidity is a measure of the Corporation's ability to efficiently meet normal cash flow requirements of both borrowers and depositors. In the ordinary course of business, funds are generated from deposits (primary source) and the maturity or repayment of earning assets, such as securities and loans. As an additional secondary source, short-term liquidity needs may be provided through the use of overnight Federal funds purchased, borrowings through the use of lines available for repurchase agreements, and borrowings from the Federal Reserve Bank. Additionally, the banking subsidiaries are members of the Federal Home Loan Bank and may borrow under overnight and term borrowing arrangements. The sale of earning assets may also provide an additional source of liquidity.

Increased competition from nonbanking sources such as mutual funds, insurance companies and brokerage and investment banking firms have required banks to rely more heavily on alternative funding from other borrowings. Many of our competitors have significantly greater resources (financial and other) than us and may offer certain services that our banks do not provide at this time. In addition certain of our banks' competitors are not subject to the regulation and supervision to which we and our banks are subject, and therefore may have competitive advantages over our banks. The impact of increased competition for deposits could become more consequential in the future. The Corporation monitors liquidity through regular computations of prescribed liquidity ratios. The Corporation actively manages liquidity within a defined range and has developed liquidity contingency plans, including ensuring availability of alternate funding sources to maintain liquidity under a variety of business conditions. In addition to the previously described funding sources the Corporation's ability to access the capital markets was demonstrated during 1999 through the issuance of $35 million of capital securities.

The Corporation's long-term liquidity source is a large core deposit base and a strong capital position. Core deposits are the most stable source of liquidity a bank can have due to the long-term relationship with a deposit customer. Deposits increased $115.3 million in 2000 and included an increase of $18.2 million in core deposits. Non-core deposits, which are time deposits in denominations of $100 thousand or more represented 14.86% of total deposits at December 31, 2000, up from 12.15% of total deposits at December 31, 1999. Non-core deposits increased by $97.1 million in 2000 and $58.8 million 1999 due in part to an increase in public funds.

The increase in non-core deposits during 2000 also included the issuance of brokered time deposits in the amount of $26.1 million. Although the Corporation's primary source of funds remains traditional deposits from within the communities served by its banking subsidiaries, future sources of deposits utilized could include the use of brokered time deposits offered outside the Corporation's traditional market area. Time deposits of $100 thousand or more at December 31, 2000, 1999 and 1998 had remaining maturities as follows:

Maturity Distribution of Large Certificates of Deposit
(Dollar Amounts in Thousands)

	2000		1999		1998	
	Amount	**Percent**	Amount	Percent	Amount	Percent
Remaining Maturity:						
3 months or less	**$ 358,112**	**79%**	$ 273,376	76%	$ 151,121	50%
Over 3 months through 6 months	**36,941**	**8**	13,372	4	40,363	14
Over 6 months through 12 months	**19,241**	**4**	14,503	4	27,546	9
Over 12 months	**41,088**	**9**	57,010	16	80,382	27
Total	**$ 455,382**	**100%**	$ 358,261	100%	$ 299,412	100%

Net loans decreased $9.3 million during 2000 as residential real estate loans and loans to individuals decreased by $47.6 million and $52.3 million respectively, compared to year-end 1999. Decreases during 2000 for consumer loans were partially offset by increases in commercial loans secured by real estate and increases in municipal loans of $64.3 million and $35.5 million over the same time period.

Below is a schedule of loans by classification for the five years ended December 31, 2000.

Loans by Classification
(Dollar Amounts in Thousands)

	2000		1999		1998		1997		1996	
	Amount	**Percent**	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial, financial, agricultural and other	**$ 443,618**	**18%**	$ 417,300	16%	$ 377,733	16%	$ 363,699	15%	$ 316,550	14%
Real estate-construction	**37,146**	**2**	41,734	2	33,097	1	35,308	1	39,120	2
Real estate-commercial	**560,066**	**22**	495,789	20	387,166	16	384,794	16	356,106	16
Real estate-residential	**932,915**	**37**	980,506	39	1,009,903	42	1,048,405	43	941,147	41
Loans to individuals	**450,154**	**18**	502,465	20	517,907	22	569,742	23	578,204	25
Net leases	**68,975**	**3**	65,893	3	56,423	3	51,245	2	36,329	2
Gross loans and leases	**2,492,874**	**100%**	2,503,687	100%	2,382,229	100%	2,453,193	100%	2,267,456	100%
Unearned income	**(2,047)**		(3,628)		(7,379)		(16,856)		(30,933)	
Total loans, and leases net of unearned income	**$ 2,490,827**		**$2,500,059**		$ 2,374,850		$2,436,337		$2,236,523	

An additional source of liquidity is marketable securities that the Corporation holds in its investment portfolio. These securities are classified as "securities available for sale". While the Corporation does not have specific intentions to sell these securities, they have been designated as "available for sale" because they may be sold for the purpose of obtaining future liquidity, for management of interest rate risk or as part of the implementation of tax management strategies. As of December 31, 2000, securities available for sale had an amortized cost of $1,250 million and an approximate fair value of $1,238 million. Gross unrealized gains were $4.6 million and gross unrealized losses were $16.6 million. Based upon the Corporation's historical ability to fund liquidity needs from other sources, the current available for sale portfolio is deemed to be more than adequate, as the Corporation does not anticipate a need to liquidate the investments until maturity. The following is a schedule of the contractual maturity distribution of securities held to maturity and securities available for sale at December 31, 2000.

Maturity Distribution of Securities Held to Maturity
(Dollar Amounts in Thousands)

	U.S. Government Agencies and Corporations	States and Political Subdivisions	Other Securities	Total Amortized Cost	Weighted Average Yield*
Within 1 year	$ 13,341	$ 3,957	$ -0-	$ 17,298	5.90%
After 1 but within 5 years	96,448	19,636	22,972	139,056	6.46
After 5 but within 10 years	29,857	28,739	255	58,851	6.96
After 10 years	108,720	74,182	-0-	182,902	6.56
Total	$ 248,366	$ 126,514	$ 23,227	$ 398,107	6.56%

Maturity Distribution of Securities Available for Sale
At Amortized Cost
(Dollar Amounts in Thousands)

	U.S. Treasury, and other U.S. Government Agencies and Corporations	States and Political Subdivisions	Other Securities	Total Amortized Cost	Weighted Average Yield*
Within 1 year	$ 10,032	$ 1,945	$ 250	$ 12,227	6.60%
After 1 but within 5 years	117,555	6,860	101,131	225,546	6.67
After 5 but within 10 years	58,385	11,829	6,316	76,530	6.54
After 10 years	694,066	55,432	186,407	935,905	6.77
Total	$ 880,038	$ 76,066	$ 294,104	$ 1,250,208	6.73%

**Yields are calculated on a tax-equivalent basis.*

Interest Sensitivity

The objective of interest rate sensitivity management is to maintain an appropriate balance between the stable growth of income and the risks associated with maximizing income through interest sensitivity imbalances. While no single number can accurately describe the impact of changes in interest rates on net interest income, interest rate sensitivity positions, or "gaps" when measured over a variety of time periods may be helpful.

An asset or liability is considered to be interest-sensitive if the rate it yields or bears is subject to change within a predetermined time period. If interest-sensitive assets ("ISA") exceeds interest-sensitive liabilities ("ISL") during a prescribed time period, a positive gap results. Conversely, when ISL exceeds ISA during a time period, a negative gap results.

A positive gap tends to indicate that earnings will be impacted favorably if interest rates rise during the period and negatively when interest rates fall during the time period. A negative gap tends to indicate that earnings will be affected inversely to interest rate changes. In other words, as interest rates fall, a negative gap should tend to produce a positive effect on earnings and when interest rates rise, a negative gap should tend to affect earnings negatively.

The primary components of ISA include adjustable rate loans and investments, loan repayments, investment maturities and money market investments. The primary components of ISL include maturing certificates of deposit, money market deposits, savings deposits, NOW accounts and short-term borrowings.

The following table lists the amounts and ratios of assets and liabilities with rates or yields subject to change within the periods indicated as of December 31, 2000 and 1999 (Dollar Amounts in Thousands):

	2000			
	0-90 Days	**91-180 Days**	**181-365 Days**	**Cumulative 0-365 Days**
Loans	**$ 621,536**	**$ 130,374**	**$ 244,605**	**$ 996,515**
Investments	**130,220**	**47,279**	**105,423**	**282,922**
Other interest-earning assets	**11,552**	**-0-**	**-0-**	**11,552**
Total interest-sensitive assets	**763,308**	**177,653**	**350,028**	**1,290,989**
Certificates of deposit	**274,963**	**264,805**	**470,828**	**1,010,596**
Other deposits	**1,018,205**	**-0-**	**-0-**	**1,018,205**
Borrowings	**274,673**	**884**	**457**	**276,014**
Total interest-sensitive liabilities	**1,567,841**	**265,689**	**471,285**	**2,304,815**
Gap	**$ (804,533)**	**$ (88,036)**	**$ (121,257)**	**$(1,013,826)**
ISA/ISL	**0.49**	**0.67**	**0.74**	**0.56**
Gap/Total assets	**18.40%**	**2.01%**	**2.77%**	**23.19%**

	1999			
	0-90 Days	91-180 Days	181-365 Days	Cumulative 0-365 Days
Loans	$ 697,645	$ 113,547	$ 204,090	$1,015,282
Investments	44,666	39,497	66,465	150,628
Other interest-earning assets	18,799	2,759	4,532	26,090
Total interest-sensitive assets	761,110	155,803	275,087	1,192,000
Certificates of deposit	325,985	231,804	277,769	835,558
Other deposits	1,074,451	-0-	-0-	1,074,451
Borrowings	467,255	961	127,108	595,324
Total interest-sensitive liabilities	1,867,691	232,765	404,877	2,505,333
Gap	$(1,106,581)	$ (76,962)	$(129,790)	$(1,313,333)
ISA/ISL	0.41	0.67	0.68	0.48
Gap/Total assets	25.49%	1.77%	2.99%	30.26%

Although the periodic gap analysis provides management with a method of measuring current interest rate risk, it only measures rate sensitivity at a specific point in time. Therefore, to more precisely measure the impact of interest rate changes on the Corporation's net interest income, management simulates the potential effects of changing interest rates through computer modeling. The income simulation model used by the Corporation captures all assets, liabilities, and off-balance sheet financial instruments, accounting for significant variables that are believed to be affected by interest rates. These variables include prepayment speeds on mortgage loans and mortgage backed securities, cash flows from loans, deposits and investments and balance sheet growth assumptions. The model also captures embedded options, such as interest rate caps/floors or call options, and accounts for changes in rate relationships as various rate indices lead or lag changes in market rates. The Corporation is then better able to implement strategies which would include an acceleration of a deposit rate reduction or lag in a deposit rate increase. The repricing strategies for loans would be inversely related.

The Corporation's asset/liability management policy guidelines limit interest rate risk exposure for the succeeding twelve month period. Simulations are prepared under the base case where interest rates remain flat and most likely case where interest rates are defined using projections of economic factors. Additional simulations are produced estimating the impact on net interest income of a 300 basis point (3.00%) movement upward or downward from the base case scenario. The Corporation's current asset/liability management policy indicates that a 300 basis point (3.00%) change in interest rates up or down cannot result in more than a 7.5% change in net interest income when compared to a base case without Board approval and a strategy in place to reduce interest rate risk below the established maximum level. The analysis at December 31, 2000, indicated that a 300 basis point (3.00%) movement in interest rates in either direction over the next twelve months would not have a significant impact on the Corporation's anticipated net interest income over that time and the Corporation's position would remain well within current policy guidelines.

The Corporation's "Asset/Liability Management Committee" ("ALCO") is responsible for the identification, assessment and management of interest rate risk exposure, liquidity, capital adequacy and investment portfolio position. The primary objective of the ALCO process is to ensure that the Corporation's balance sheet structure maintains prudent levels of risk within the context of currently known and forecasted economic conditions and to establish strategies which provide the Corporation with appropriate compensation for the assumption of those risks. The ALCO attempts to mitigate interest rate risk through the use of strategies such as asset disposition, asset and liability pricing and matched maturity funding. The ALCO strategies are established by the Corporation's senior management and are approved by the Corporation's board of directors.

Final loan maturities and rate sensitivity of the loan portfolio excluding consumer installment and mortgage loans and before unearned income at December 31, 2000 were as follows (Dollar Amounts in Thousands):

	Within One Year	One to 5 Years	After 5 Years	Total
Commercial and industrial	$ 157,096	$ 80,434	$ 53,898	$ 291,428
Financial institutions	160	-0-	-0-	160
Real estate-construction	13,854	6,166	17,126	37,146
Real estate-commercial	84,316	92,191	383,559	560,066
Other	23,985	15,934	112,111	152,030
Totals	$ 279,411	$ 194,725	$ 566,694	$1,040,830
Loans at fixed interest rates		144,198	359,826	
Loans at variable interest rates		50,527	206,868	
Totals		$ 194,725	$ 566,694	

Credit Review

Maintaining a high quality loan portfolio is of great importance to the Corporation. The Corporation manages the risk characteristics of the loan portfolio through the use of prudent lending policies and procedures and monitors risk through a periodic review process provided by internal auditors, regulatory authorities and our loan review staff. These reviews include the analysis of credit quality, diversification of industry, compliance to policies and procedures, and an analysis of current economic conditions.

In the management of its credit portfolio, the Corporation emphasizes the importance of the collectibility of loans and leases as well as asset and earnings diversification. The Corporation immediately recognizes as a loss all credits judged to be uncollectible and has established an allowance for credit losses that may exist in the portfolio at a point in time, but have not been specifically identified.

The Corporation's written lending policy requires certain underwriting standards to be met prior to funding any loan, including requirements for credit analysis, collateral value coverage, documentation, and terms. The principal factor used to determine potential borrowers' creditworthiness is business cash flows or consumer income available to service debt payments. Secondary sources of repayment, including collateral or guarantees, are frequently obtained.

The lending policy provides limits for individual and bank committees lending authorities. In addition to the bank loan approval process, requests for borrowing relationships which will exceed one million dollars must also be approved by the Corporation's Credit Committee. This Committee consists of a minimum of three members of the Corporation's board of directors. Early in 2000, the Corporation initiated an additional level of approval for credit relationships between $500 thousand and $1.0 million. This procedure requires approval of those credits by a committee consisting of senior lenders of the Corporation.

Commercial and industrial loans are generally granted to small and middle market customers for operating, expansion or asset acquisition purposes. Operating cash flows of the business enterprise are identified as the principal source of repayment, with business assets held as collateral. Collateral margins and loan terms are based upon the purpose and structure of the transaction as set forth in loan policy.

Commercial real estate loans are granted for the acquisition or improvement of real property. Generally, commercial real estate loans do not exceed 75% of the appraised value of property pledged to secure the transaction. Repayment of such loans are expected from the operations of the subject real estate and are carefully analyzed prior to approval.

Real estate construction loans are granted for the purposes of constructing improvements to real property, both commercial and residential. On-site inspections are conducted by qualified individuals prior to periodic permanent project financing, which is generally committed prior to the commencement of construction financing.

Real estate loans secured by 1-4 family residential housing properties are granted subject to statutory limits in effect for each bank regarding the maximum percentage of appraised value of the mortgaged property. Residential loan terms are normally established in compliance with secondary market requirements. Residential mortgage portfolio interest rate risk is controlled by secondary market sales, variable interest rate loans and balloon maturities.

Loans to individuals represent financing extended to consumers for personal or household purposes, including automobile financing, education, home improvement, and personal expenditures. These loans are granted in the form of installment, credit card, or revolving credit transactions. Consumer creditworthiness is evaluated on the basis of ability to repay, stability of income sources, and past credit history.

The Corporation maintains an allowance for credit losses at a level deemed sufficient to absorb losses which are inherent in the loan and lease portfolios at each balance sheet date. Management reviews the adequacy of the allowance on at least a quarterly basis to ensure that the provision for credit losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is appropriate based on management's assessment of probable estimated losses. The Corporation's methodology for assessing the appropriateness of the allowance for credit losses consists of several key elements. These elements include a specific allowance for primary watch list classified loans, an allowance based on historical trends, an additional allowance for special circumstances, and an unallocated portion. The Corporation consistently applies the following comprehensive methodology and procedure at the subsidiary bank level.

The allowance for primary watch list classified loans addresses those loans maintained on the Corporation's primary watch list which are assigned a rating of substandard, doubtful, or loss. Substandard loans are those with a well-defined weakness or a weakness which jeopardizes the repayment of the debt. A loan may be classified as substandard as a result of impairment of the borrower's financial condition and repayment capacity. Loans for which repayment plans have not been met or collateral equity margins do not protect the Corporation may also be classified as substandard. Doubtful loans have the characteristics of substandard loans with the added characteristic that collection or liquidation in full, on the basis of presently existing facts and conditions, is highly improbable. Although the possibility of loss is extremely high for doubtful loans, the classification of loss is deferred until pending factors, which might improve the loan, have been determined. Loans rated as doubtful in whole or in part are placed in nonaccrual status. Loans which are classified as loss are considered uncollectible and are charged to the allowance for credit losses at the next meeting of the Corporation's credit committee after placement in this category. There were no loans classified as loss on the primary watch list as of December 31, 2000.

Loans on the primary watch list may also be impaired loans, which are defined as nonaccrual loans or troubled debt restructurings which are not in compliance with their restructured terms. Each of the classified loans on the primary watch list are individually analyzed to determine the level of the potential loss in the credit under the current circumstances. The specific reserve established for these criticized and impaired loans is based on careful analysis of the loan's performance, the related collateral value, cash flow considerations and the financial capability of any guarantor. The allowance for primary watch list classified loans is equal to the total amount of potential unconfirmed losses for the individual classified loans on the watch list. Primary watch list loans are managed and monitored by assigned account officers within the Corporation in conjunction with Senior Management.

The allowance based on historical trends uses charge-off experience of the Corporation to estimate potential unconfirmed losses in the balances of the loan and lease portfolios. The historical loss experience percentage is based on the charge-off history for the twenty most recent quarters. Historical loss experience percentages are applied to all non-classified loans to obtain the portion of the allowance for credit losses which is based on historical trends. Before applying the historical loss experience percentages, loan balances are reduced by the portion of the loan balances which are subject to guarantee by a government agency. Loan balances are also adjusted for unearned discount on installment loans.

The additional allowance for special circumstances provides management with the opportunity to estimate additional potential allowance amounts which may be needed to cover specific factors. The specific factors that management currently evaluates consist of portfolio risk or concentrations of credit, off balance sheet risk, economic conditions, management or staff considerations, and comparative peer analysis variances. Portfolio risks include unusual changes or recent trends in specific portfolios such as unexpected changes in the trends or levels of delinquency or charge-offs, unusual repossession activities or large levels of unsecured loans in a portfolio.

The Corporation also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions which may cause a potential credit loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential credit losses is performed these estimates by definition lack precision. Management must make estimates using assumptions and information which is often subjective and changing rapidly.

Since all identified losses are immediately charged off, no portion of the allowance for credit losses is restricted to any individual credit or groups of credits, and the entire allowance is available to absorb any and all credit losses. However, for analytical purposes, the following table sets forth an allocation of the allowance for credit losses at December 31 according to the categories indicated:

Allocation of the Allowance for Credit Losses
(Dollar Amounts in Thousands)

	2000	1999	1998	1997	1996
Commercial, industrial, financial, agricultural and other	**$ 6,263**	$ 6,321	$ 4,375	$ 3,726	$ 3,628
Real estate-construction	**643**	831	414	415	461
Real estate-commercial	**9,064**	7,675	5,119	4,912	4,731
Real estate-residential	**10,211**	9,928	10,319	8,595	8,145
Loans to individuals	**4,938**	5,131	5,223	4,583	4,933
Lease financing receivables	**638**	586	512	393	285
Unallocated	**1,844**	3,067	6,342	3,308	3,051
Total	**$33,601**	$33,539	$32,304	$25,932	$ 25,234
Allowance as percentage of average total loans	**1.34%**	1.39%	1.32%	1.11%	1.22%

Other than those described below, there are no material credits that management has serious doubts as to the borrower's ability to comply with the present loan repayment terms. The following table identifies nonperforming loans at December 31. A loan is placed in a nonaccrual status at the time when ultimate collectibility of principal or interest, wholly or partially, is in doubt. Past due loans are those loans which were contractually past due 90 days or more as to interest or principal payments but are well secured and in the process of collection. Renegotiated loans are those loans which terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower.

Nonperforming and Impaired Assets and Effect on Interest Income Due to Nonaccrual
(Dollar Amounts in Thousands)

	2000	1999	1998	1997	1996
Loans on nonaccrual basis	**$10,698**	$12,765	$ 9,677	$11,387	$ 9,536
Past due loans	**22,086**	15,815	15,780	13,955	14,046
Renegotiated loans	**2,263**	62	64	67	280
Total nonperforming loans	**$35,047**	$28,642	$25,521	$25,409	$ 23,862
Nonperforming loans as a percentage of total loans	**1.41%**	1.15%	1.07%	1.04%	1.07%
Allowance as percentage of nonperforming loans	**95.87%**	117.10%	126.58%	102.06%	105.75%
Other real estate owned	**$ 1,661**	$ 1,707	$ 2,370	$ 1,950	$ 1,732
Gross income that would have been recorded at original rates	**$ 750**	$ 724	$ 961	$ 1,017	$ 799
Interest that was reflected in income	**333**	458	286	146	223
Net reduction to interest income due to nonaccrual	**$ 417**	$ 266	$ 675	$ 871	$ 576

The reduction of income due to renegotiated loans was less than $50 thousand in any year presented.

The level of nonperforming loans at year-end 2000 increased by $6.4 million over 1999 levels as increases in past due and renegotiated loans were only partially offset by decreases in nonaccrual loans. Increases for past due loans primarily resulted from increases for commercial loans secured by real estate and commercial and industrial loans of $5.1 million and $2.1 million, respectively. The major portion of these increases relate to small business loans, of which $1.6 million were guaranteed by the SBA. The Corporation continues to aggressively collect these loans.

Also, early in 2000 the Corporation initiated an additional level of approval for credit relationships between $500 thousand and $1.0 million. This procedure requires approval of those credits by a committee consisting of senior lenders of the Corporation. The increase in renegotiated loans for 2000 compared to 1999 was the result of the modification of loan terms for one commercial borrower. Decreases for nonaccrual loans for 2000 occurred primarily in commercial loans which reflected decreases of $658 thousand for commercial loans secured by real estate and decreases for commercial and industrial loans of $1.5 million compared to 1999. Nonperforming loans as a percentage of total loans

was 1.41% at December 31, 2000 compared to 1.15% at December 31, 1999.

The Corporation's loan portfolio continues to be monitored by senior management to identify potential portfolio risks and detect potential credit deterioration in the early stages. Credit risk is mitigated through the use of sound underwriting policies and collateral requirements. Management attempts to minimize loan losses by analyzing and modifying collection techniques on a periodic basis. Management believes that the allowance for credit losses and nonperforming loans remained safely within acceptable levels.

Capital Resources

Equity capital increased $47.5 million in 2000 to $334.2 million. Dividends declared decreased equity by $32.9 million during 2000, an increase over dividends for the 1999 period as the dividend rate was increased. The retained net income of $14.4 million remained in permanent capital to fund future growth and expansion. Long-term debt payments and fair value adjustments to unearned ESOP shares increased equity capital by $793 thousand. The market value adjustment to securities available for sale increased equity by $32.5 million. Amounts paid to fund the discount on reinvested dividends reduced equity by $593 thousand. The cost of purchasing treasury shares decreased equity by $873 thousand while proceeds from the reissuance of treasury shares to provide for stock options exercised increased equity by $327 thousand during 2000. Equity capital during 2000 also reflected an increase of $852 thousand from the reissuance of treasury shares to fund the buy-out of the insurance agency's joint venture partner (See NOTE 4 to the Consolidated Financial Statements).

A capital base can be considered adequate when it enables the Corporation to intermediate funds responsibly and provide related services while protecting against future uncertainties. The evaluation of capital adequacy depends on a variety of factors, including asset quality, liquidity, earnings history and prospects, internal controls and management caliber. In consideration of these factors, management's primary emphasis with respect to the Corporation's capital position is to maintain an adequate and stable ratio of equity to assets. See NOTE 25 for an analysis of regulatory capital guidelines and the Corporation's capital ratios relative to these measurement standards.

Inflation and Changing Prices

Management is aware of the impact inflation has on interest rates and therefore the impact it can have on a bank's performance. The ability of a financial institution to cope with inflation can only be determined by analysis and monitoring of its asset and liability structure. The Corporation monitors its asset and liability position with particular emphasis on the mix of interest-sensitive assets and liabilities in order to reduce the effect of inflation upon its performance. However, it must be remembered that the asset and liability structure of a financial institution is substantially different from an industrial corporation in that virtually all assets and liabilities are monetary in nature, meaning that they have been or will be converted into a fixed number of dollars regardless of changes in general price levels. Examples of monetary items include cash, loans and deposits. Nonmonetary items are those assets and liabilities which do not gain or lose purchasing power solely as a result of general price level changes. Examples of nonmonetary items are premises and equipment.

Inflation can have a more direct impact on categories of noninterest expenses such as salaries and wages, supplies and employee benefit costs. These expenses are very closely monitored by management for both the effects of inflation and increases relating to such items as staffing levels, usage of supplies and occupancy costs.

COMMON STOCK INFORMATION

First Commonwealth Financial Corporation (the "Corporation") is listed on the New York Stock Exchange under the symbol "FCF." The approximate number of holders of record of the Corporation's common stock is 12,800. The table below sets forth the high and low sales prices per share and cash dividends declared per share for common stock of the Corporation.

Period	High Sale	Low Sale	Cash Dividends Per Share
2000			
First Quarter	$ 12.000	$ 8.625	$ 0.140
Second Quarter	$ 11.625	$ 9.063	$ 0.140
Third Quarter	$ 10.188	$ 8.750	$ 0.140
Fourth Quarter	$ 10.875	$ 8.875	$ 0.145

Period	High Sale	Low Sale	Cash Dividends Per Share
1999			
First Quarter	$ 12.406	$ 10.156	$ 0.115
Second Quarter	$ 12.188	$ 10.375	$ 0.130
Third Quarter	$ 12.750	$ 11.031	$ 0.130
Fourth Quarter	$ 14.313	$ 11.625	$ 0.140

Our Mission

The mission of First Commonwealth Financial Corporation is to maximize the long-term total return to shareholders.

Shareholder Value

First Commonwealth is committed to building shareholder value. It is our mission, our highest priority. Value is delivered through a combination of total return (dividend yields plus market price appreciation), market liquidity (the ease of buying or selling First Commonwealth shares), and shareholder services. This section of our annual report summarizes the many services that are made available to our shareholders.

Annual Meeting

The Annual Meeting of Shareholders will be held at:
First Commonwealth Place
654 Philadelphia St., Indiana, PA
On Monday, April 23, 2001 at 3:00 PM.

Common Stock

First Commonwealth Financial Corporation common stock is listed on The New York Stock Exchange and is traded under the symbol FCF. Current market prices for First Commonwealth Financial Corporation common stock can be obtained from your local stock broker or by calling the Corporation at (724) 349-7220 (in Indiana, PA) or 1-800-331-4107 (outside Indiana, PA).

Transfer Agent

The Bank of New York
Telephone Inquiries: 1-800-524-4458

Address Shareholder Inquiries To:
Shareholder Relations Department - 11E
P.O. Box 11258
Church Street Station
New York, NY 10286

E-Mail Address:
Shareowner-svcs@bankofny.com

The Bank of New York's Stock Transfer Website:
http://www.stockbny.com

Send Certificates For Transfers and Address Changes To:
Receive and Deliver Department - 11W
P.O. Box 11002
Church Street Station
New York, NY 10286

Dividend Payments

Subject to the approval of the Board of Directors, quarterly cash dividends are paid on or about the 15th day of January, April, July and October.

Dividend Reinvestment

First Commonwealth Financial Corporation's Dividend Reinvestment Plan offers shareholders an opportunity to reinvest their dividends in additional shares of the Corporation's common stock. Once enrolled in the plan, participants may also purchase shares through voluntary cash investments. For more information on the plan, please call The Bank of New York, Plan Administrator, at 1-800-524-4458.

For shareholders who do not participate in the Dividend Reinvestment Plan, Automated Direct Dividend Deposit Service is available for direct deposit of quarterly dividend payments to a checking or savings account. To enroll, please call The Bank of New York at 1-800-524-4458 for an Authorization Form (completed forms must be received by the Bank 30 days prior to dividend payment date).

Form 10K

A copy of the Form 10K as filed with the Securities and Exchange Commission will be provided to any shareholder on request to the Corporation, to the attention of the Corporate Secretary.

Investor/Shareholder Inquiries

Requests for information or assistance regarding the corporation should be directed to the Corporation, to the attention of Shareholder Relations, 1-800-331-4107.

FIRST COMMONWEALTH FINANCIAL CORPORATION

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