

PEOPLES STATE BANK WYALUSING PA

2007 ANNUAL DISCLOSURE STATEMENT

PERFORMANCE ANALYSIS

2007

2006

PROFITABILITY

Return on Average Equity (R.O.E.)	12.23%	10.38%	R.O.E. is the return on the shareholders' investment in the bank, whereas R.O.A. is the return on all of the assets of the bank.
Return on Average Assets (R.O.A.)	0.85%	0.72%	
Net Interest Income / Average Assets	3.57%	3.36%	Net interest margin is the income available to cover net overhead expenses, taxes, and dividends of the bank.
Overhead Expense / Average Assets	3.35%	3.19%	Overhead expense includes salaries and benefits, occupancy expense, and other operating expenses.

ASSET QUALITY

Nonperforming Loans / Gross Loans	1.52%	1.33%	This represents the percent of the bank's loans which are past due 90 + days or are not accruing interest. Over 45% of all banks in the nation have more than 2% nonperforming loans.
Loan Loss Reserve / Total Loans	1.20%	1.16%	The loan loss reserve is the account against which future uncollectable loans will be charged.
Net Charge-offs / Average Loans	0.11%	0.11%	Net charge-offs are an indication of past loan quality, measuring loans, net of recoveries, actually written off as losses.

LIQUIDITY

\$100,000 + Time Deposits / Total Deposits	20.89%	19.85%	Large deposits are usually the most costly type of deposits a bank has. Amounts exceeding \$100,000 are not covered by FDIC insurance.
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CAPITAL

Primary Capital / Assets	8.07%	7.79%	Capital ratios indicate the degree of capital a bank has to deal with earnings problems. The regulatory minimum for these ratios is 5.5% for primary capital and 6.0% for total capital.
Total Capital / Assets	7.18%	6.96%	

PEOPLES STATE BANK WYALUSING PA

BALANCE SHEET

Year Ended December 31,

	<u>2007</u>	<u>2006</u>
	\$(000)	\$(000)
<u>ASSETS</u>		
Cash & balances due from depository institutions:		
Noninterest-bearing balances and currency and coin	6,067	5,878
Interest-bearing balances	1,700	6,117
Securities:		
Held-to-maturity	0	0
Available-for-sale	33,020	30,883
Federal funds sold and securities purchased under agreements to resell	0	0
Loans and lease financing receivables:		
Loans and leases, net of unearned income	143,817	134,392
LESS: Allowance for loan and lease losses	1,727	1,562
LESS: Allocated transfer risk reserve	0	0
Loans and leases, net of unearned income, allowance, and reserve	142,090	132,830
Assets held in trading accounts	0	0
Premises and fixed assets (including capitalized leases)	3,527	3,624
Other real estate owned	35	0
Investments in unconsolidated subsidiaries and associated companies	0	0
Customers' liability to this bank on acceptances outstanding	0	0
Intangible assets	67	103
Other assets	8,255	8,024
Total assets	194,761	187,459
<u>LIABILITIES</u>		
Deposits:		
In domestic offices:		
Noninterest-bearing	24,630	24,881
Interest-bearing	122,115	114,775
In foreign offices, Edge & Agreement subs, and IBFs:		
Noninterest-bearing	N/A	N/A
Interest-bearing	N/A	N/A
Federal funds purchased and securities sold under agreements to repurchase	N/A	N/A
Demand notes issued to the U.S. Treasury	0	0
Other borrowed money		
With a remaining maturity of one year or less	4,000	3,000
With a remaining maturity of more than one year through three years	14,000	8,000
With a remaining maturity of more than three years	14,572	22,500
Mortgage indebtedness and obligations under capitalized leases	0	0
Bank's liability on acceptances executed and outstanding	0	0
Notes and debentures subordinates to deposits	0	0
Other liabilities	1,455	1,256
Total liabilities	180,772	174,412
Limited-life preferred stock	0	0
<u>EQUITY CAPITAL</u>		
Perpetual preferred stock	0	0
Common stock	213	213
Surplus	1,749	1,749
Undivided profits and capital reserves	11,892	11,144
Net unrealized holding gains (losses) on available-for-sale securities	135	(59)
Cumulative foreign currency translation adjustments	N/A	N/A
Total equity capital	13,989	13,047
Total liabilities, limited-life preferred stock, and equity capital	194,761	187,459

PEOPLES STATE BANK WYALUSING PA

INCOME STATEMENT

Year Ended December 31,

	<u>2007</u>	<u>2006</u>
	\$(000)	\$(000)
Interest income:		
Interest and fee income on loans:		
Real estate loans	7,810	6,946
Installment loans	467	525
Credit cards	66	55
Commercial (time and demand) and all other loans	2,541	2,518
Income from lease financing receivables:		
Taxable leases	0	0
Tax-exempt leases	0	0
Interest income on balances due from depository institutions	313	162
Interest and dividend income on securities:		
U.S. Treasury securities and U.S. Government agency and corporation obligations	829	606
Securities issued by states and political subdivisions in the U.S.:		
Taxable securities	0	44
Tax-exempt securities	639	623
Other domestic securities (debt and equity)	104	86
Foreign securities (debt and equity)	0	0
Interest income from assets held in trading accounts	0	0
Interest income on federal funds sold and securities purchased under agreements to resell	0	0
Total interest income	12,769	11,565
Interest Expense:		
Interest on deposits:		
Time certificates of deposit of \$100,000 or more	1,321	1,107
All other deposits:		
Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	44	64
Money market deposit accounts (MMDAs)	199	183
Other savings deposits	313	337
All other time deposits	2,447	2,010
Expense of federal funds purchased and securities sold under agreement to repurchase	0	0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1,541	1,575
Interest on mortgage indebtedness and obligations under capitalized leases	0	0
Interest on notes and debentures subordinated to deposits	0	0
Total interest expense	5,865	5,276
Net interest income	6,904	6,289
Provisions:		
Provision for loan and lease losses	360	450
Provision for allocated transfer risk	0	0
Noninterest income:		
Income from fiduciary activities	0	0
Service charges on deposit accounts	707	646
Trading gains (losses) and fees from foreign exchange transactions	0	0
Other foreign transaction gains (losses)	0	0
Gains (losses) and fees from assets held in trading accounts	0	0
Other noninterest income	1,337	1,169
Total noninterest income	2,044	1,815
Gains (losses) on securities not held in trading accounts	0	0
Noninterest expense:		
Salaries and employee benefits	3,380	3,209
Expenses of premises and fixed assets (net of rental income)(excluding salaries and employee benefits and mortgage interest)	928	821
Other noninterest expense	2,185	1,950
Total noninterest expense	6,493	5,980
Income (loss) before income taxes and extraordinary items and other adjustments	2,095	1,674
Applicable income taxes	443	332
Income (loss) before extraordinary items and other adjustments	1,652	1,342
Extraordinary itmes and other adjustment:		
Extraordinary items and other adjustments, gross of income taxes	0	0
Applicable income taxes	0	0
Extraordinary items and other adjustments, net of income taxes	0	0
Net income (loss)	1,652	1,342

PEOPLES STATE BANK WYALUSING PA

Year Ended December 31,

2007 2006
\$(000) \$(000)

Income Statement Memoranda:

Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986, that is not deductible for federal income tax purposes	0	0
Estimated income on tax-exempt loans and leases to states and political subdivisions in the U.S. (excludes income on tax-exempt securities)	0	0
Number of full time equivalent employee payroll at end of period	74	76
Interest and fee income on agricultural loans	N/A	N/A

CHANGES IN EQUITY CAPITAL

Total equity capital originally reported at end of previous calendar year	13,048	12,395
Equity capital adjustments from amended Reports on Income, net	0	0
Amended balance at end of previous calendar year	13,048	12,395
Net income (loss)	1,652	1,342
Sale, conversion, acquisition, or retirement of capital stock, net	0	0
Changes incident to business combinations, net	0	0
LESS: Cash dividends declared on preferred stock	0	0
LESS: Cash dividends declared on common stock	904	873
Cumulative effect of changes in accounting principles from prior years	0	0
Corrections of material accounting errors from prior years	0	0
Change in net unrealized loss on marketable equity securities	193	184
Other transactions with parent holding company	0	0
Total equity capital at end of period	13,989	13,048

CHANGES IN ALLOWANCE FOR LOAN AND LEASE LOSSES

Allowance for Loan and Lease Losses:		
Balance originally reported at end of previous year	1,562	1,264
Recoveries	189	59
LESS: Charge-offs	384	211
Provision for loan and leases losses	360	450
Adjustments	0	0
Balance at end of period	1,727	1,562

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PAST DUE AND NONACCRUAL LOANS AND LEASES

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
	\$(000)	\$(000)
Loans and leases past due 90 days or more and still accruing:		
Real estate loans	970	1,051
Installment loans	4	13
Credit cards and related plans	1	0
Commercial (time and demand) and all other loans	276	0
Lease financing receivables	0	0
Total	1,251	1,064
Memo: Past due agricultural loans included above	0	0
Nonaccrual loans and leases:		
Real estate loans	695	524
Installment loans	0	0
Credit cards and related plans	0	0
Commercial (time and demand) and all other loans	241	193
Lease financing receivables	0	0
Total	936	717
Memo: Past due agricultural loans included above	0	0

I do hereby attest that this Disclosure Statement has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct to the best of my knowledge and belief.

Officer of the Bank