



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

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Community Reinvestment Act
Performance Evaluation

Peoples National Bank
Charter Number: 7702

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **Peoples National Bank** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Peoples National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

* The lending Test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- A substantial majority of home mortgage loans and small loans to businesses are originated within the assessment areas (AAs);
- The borrower distribution of home mortgage loans is adequate;
- Community development loans had a positive impact on the lending test rating;
- PNB has a good level of community development investments and is responsive to the identified credit needs in the AAs;
- Retail services are accessible to individuals of different income levels in the AAs;
- The bank provides a good level of community development services in the AAs.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5

million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

The Peoples National Bank (PNB) is an independent banking institution with headquarters in Hallstead, Pennsylvania. The bank has offices located in rural areas of the northeastern Pennsylvania counties of Susquehanna and Wyoming, and in the southern New York county of Broome.

As of June 30, 2005, total bank assets were \$387 million. Total net loans were \$247 million, and total deposits were \$283 million.

PNB's last Public Evaluation (PE) was dated March 19, 2002 and the overall CRA rating assigned was **Satisfactory**. Since the previous PE, PNB has closed its one limited service grocery store branch on March 31, 2003. PNB has opened two new branches in southern New York in the second quarter of 2005. There are no financial or legal impediments to hinder PNB's ability to help meet its community credit needs. PNB has no operating subsidiaries.

PNB is a wholly owned subsidiary of Peoples Financial Services Corp., a one-bank holding company, also headquartered in Hallstead, Pennsylvania. PNB is a community bank with primary products which include residential mortgages, small business loans and consumer installment loans. The bank also originates loans through the Small Business Administration, the U.S. Department of Agriculture, the Pennsylvania Industrial Development Authority, the Pennsylvania Economic Development Authority, the Pennsylvania Capital Loan Fund, the Machinery and Equipment Loan Fund and the Northern Tier Regional Planning and Development Commission.

As of June 30, 2005, net loans and leases represented 64% of total assets. This loan portfolio is comprised of residential mortgages (43%), commercial loans (50%), and consumer loans (7%). Net tier one capital is \$37 million as of June 30, 2005. Competition in the area is very strong and includes local community banks, regional banks, nationwide non-bank financial institutions and mortgage companies.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending Test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) is from January 1, 2002 through June 30, 2005. For loans to small businesses and small farms, the evaluation period is also from January 1, 2002 to June 30, 2005. For community development loans, and the Investment and Service Test, the evaluation period is March 19, 2002 through August 22, 2005.

Data Integrity

A data integrity examination was completed in March of 2005. Publicly filed information and registers were examined by the OCC to verify the accuracy of the data. These registers contain loan data for home mortgages and small businesses. We found the loan data to be accurate, with the exception of a few minor errors, which were corrected.

Community development loans, investments and services submitted by management were also reviewed during this examination to ensure that they met the regulatory definition of community development.

Selection of Areas for Full-Scope Review

We performed full scope reviews of the non-MSA that encompasses Susquehanna County (SUSCO NON-MSA) and of the Scranton--Wilkes-Barre--Hazleton, PA MSA (SWH MSA). Please refer to the table in Appendix B for additional information regarding these areas.

Due to the limited time that PNB has had a presence in New York, a limited scope review was performed for its Broome County activity.

Ratings

The bank's overall rating is based primarily on the full-scope reviews of its two assessment areas (AAs) in PA. Home mortgage products and small loans to businesses received equal weight in evaluating the Lending Test. Only sixteen small farm loans were originated during this period. Agricultural lending is not a primary business line of PNB. Finally, more weight was given to the findings in the SUSCO NON-MSA as this is where the bank does the majority of its business, both lending and deposits, in evaluating the Lending, Investment and Service Tests.

Other

During our examination, we contacted a local non-profit business executive and we reviewed information from a community group involved in affordable housing. The executive provided us with information regarding the credit needs of the community as well as information regarding the area's economic climate in general. The primary credit need identified was affordable credit. The contacts believe that the community banks are doing a good job in meeting this need.

Community development opportunities were seen as limited in the area, due to the very rural nature of the local counties. Our contacts believe that general banking and credit needs are available and are being met in the AA.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in both the SUSCO NON-MSA and the SWH MSA is adequate. Based upon a limited scope review in the Broome-MSA the bank's performance is also adequate.

Lending Activity

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's lending activity.

SUSCO NON-MSA

Lending activity in SUSCO is adequate. The bank's lending patterns are generally reflective of the credit needs of the community. Seventy-three percent of the bank's lending is done in this AA. The bank's lending to individuals is centered in HMDA products, 76% for this AA. Purchase, home improvement, refinance loans represent 28%, 19%, and 53%, respectively, of all mortgages originated in this MSA. One multi-family loan was originated by PNB during the evaluation period, therefore an analysis of these loans is not meaningful.

Small business credit is a secondary credit need of the AA and therefore is reflected in the volume of lending, 57% for the AA. Small loans to farms do not represent a significant business line for PNB and there is very limited small farm credit lending based on the credit demand at the bank. Therefore, an analysis of the farm loans is not meaningful.

PNB has four branches and 70% of its deposits in this AA. PNB is ranked first in deposits in this non-MSA with a 38.25% market share as of June 30, 2005. Lending patterns are also similar to deposit patterns. PNB is ranked first in loans with a market share of 11.01%.

SWH MSA

Lending activity in the SWH MSA is also adequate. The bank's lending patterns here are also generally reflective of the credit needs of the community. Twenty-one percent of the bank's lending is done in this AA. The bank's lending to individuals is centered in HMDA products, 18% for this AA. Purchase, home improvement, refinance loans represent 29%, 21%, and 50%, respectively, of all mortgages originated in this AA. Two multi-family loans were originated by PNB during the evaluation period, therefore an analysis of these loans is not meaningful.

Small business credit is a secondary credit need of the AA and therefore is reflected in the volume of lending, 64% for the AA. Small loans to farms do not represent a significant business line for PNB and there is very limited small farm credit lending based on the credit demand at the bank. Therefore, an analysis of the farm loans is not meaningful.

PNB has three branches and 38% of its deposits in this AA. PNB is ranked 20th in deposits in this MSA with a 0.78% market share as of June 30, 2005. Lending patterns are also similar to deposit patterns. PNB is ranked 5th in lending with a 4.46% market share.

Distribution of Loans by Income Level of the Geography

An analysis of the geographic distribution of loans is not meaningful since both the geographies which comprise the AA subject to full scope analysis, consists entirely of middle-income geographies.

Lending Gap Analysis

Our review of the geographic distribution of loans did not detect any conspicuous or unexplained gaps in PNB's lending patterns.

Inside/Outside Ratio

An analysis of the bank's lending within its assessment areas was performed at the bank level as opposed to the individual AA levels. A substantial majority of the home mortgage loans and small loans to businesses were originated within the bank's assessment areas. For HMDA products, 93% of all originations were within the AAs. For small loans to businesses, 98% of the loans originated were within the AAs. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

Distribution of Loans by Income Level of the Borrower

The borrower distribution of PNB's home mortgage loans reflects adequate dispersion among borrowers of different income levels in the AA and small loans to businesses also indicates adequate distribution.

We considered demographic factors including the high cost of housing compared to the median family income of a low-income person, and the high percentage of individuals below the poverty level, in our home mortgage analysis.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

SUSCO NON-MSA

Borrower distribution for home purchase lending is adequate when considering the difficulty that low- and moderate-income individuals have in purchasing a home in the non-MSA. During 2002 the median cost of housing in the non-MSA was \$66 thousand, based on 1990 census data. The HUD updated median family income for 2002 was \$41,100. A low-income person earned less than \$20,550. Additionally, 13% of the households in the non-MSA are below the poverty level. A moderate-income person earns at least \$20,550 but less than \$32,880.

During 2005 the median cost of housing in the non-MSA has increased to \$85,802, based on 2000 census data. The HUD updated median family income for 2005 is \$48,350. A low income person earns less than \$24,175. Additionally, 12% of the households in the non-MSA are below the poverty level. A moderate-income person earns at least \$24,175 but less than \$38,680.

In 2002, the percentage of HMDA loans made to low-income borrowers in this AA is below the percentage of low-income families in the non-MSA. In 2003, through 2005, the percentage of loans made to low-income borrowers in this AA equals or slightly exceeds the percentage of low income families in this non-MSA. This performance is adequate when considering the affordability of housing for a low-income person in the non-MSA as discussed above. In 2002 based upon the 1990 census data, in 2003, 2004, and 2005, based upon the 2000 census data, the percentage of loans made to moderate-income borrowers equals or exceeds the percentage of moderate-income families in the non-MSA. This performance is satisfactory especially when considering the affordability of housing for a moderate-income person in the non-MSA, as discussed above.

SWH MSA

Borrower distribution for lending is good when considering the difficulty that low- and moderate-income individuals have in purchasing a home in this MSA. During 2002, based on 1990 census data, the median cost of housing in the MSA was \$67 thousand. The HUD updated median family income for 2002 was \$44,100. A low-income person earns less than \$22,550. Additionally, 12% of the households in the MSA are below the poverty level. A moderate-income person earns at least \$22,550 but less than \$36,080.

During 2003, 2004, and 2005, based upon 2000 census data, the median cost of housing in the MSA was \$91,862. The HUD updated median family income rose to \$51,300. A low-income person earns less than \$25,650. Additionally, 10% of the households in the MSA are below the poverty level. A moderate-income person earns at least \$25,650, but less than \$41,040.

In 2002, based on 1990 census data, and in 2003, 2004, and 2005, based upon 2000 census data, the percentage of loans made to low-income borrowers in the AA is below the percentage of low-income families in the MSA. This performance is adequate when considering the affordability of housing for a low-income person in the MSA as discussed above. However, the percentage of loans made to moderate-income borrowers meets or exceeds the percentage of moderate-income families in the MSA. This is satisfactory performance especially when considering the affordability of housing for a moderate-income person in the MSA, as discussed above.

Small Loans to Businesses

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses. No market share data is available.

SUSCO NON-MSA

The borrower distribution of small loans to businesses is adequate. Small loans to small businesses (businesses with revenues of \$1 million or less) represents 66% of all small loans to businesses originated by PNB in 2002, 64% in 2003 and 73% in 2004-2005 compared to 71% of the businesses within the non-MSA defined as such in 2002, 68% in 2003, and 65% in 2004-2005. While the bank's lending to small businesses is below the percentage of small businesses in the AA, the distribution by size of loan shows that a majority (90%) of the loan originations are for \$100,000 or less in 2002, 93% in 2003, and 95% in 2004-2005. This is an indication that business lending is primarily to small

businesses. Seventy-five percent of the bank's small loans to businesses originated in the AA were originated in this geography.

SWH MSA

The borrower distribution of small loans to businesses is adequate. Small loans to small businesses (businesses with revenues of \$1 million or less) represents 69% of all small loans to businesses originated by PNB in 2002, 56% in 2003 and 67% in 2004-2005 compared to 71% of the businesses within the MSA defined as such in 2002, 68% in 2003 and 67% in 2004-2005. While the bank's lending to small businesses is at or below the percentage of small businesses in this AA, the distribution by size of loan shows that a majority (92%) of the loan originations are for \$100,000 or less in 2002, 89% in 2003 and 94% in 2004-2005. This is an indication that business lending is primarily to small businesses. Twenty-four percent of the bank's small loans to businesses originated the AA were originated in this geography.

Community Development Lending

Community development lending had a positive impact on the Lending Test and the originated loans were responsive to the needs of the AA.

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending.

We determined through our community contacts and our internal research that limited opportunities for community development lending exist within the AA. Competition for these loans is very strong from both large regional financial institutions and other community banks operating in the area. Also there are no low- or moderate-income geographies in the two counties of the AA which received a full scope review.

Six loans totaling \$2.9 million were originated during the evaluation period. These loans were for economic development and community revitalization projects.

Product Innovation and Flexibility

Product innovation and flexibility had a positive impact on the Lending Test. Products discussed below are offered in both the SUSCO NON-MSA SWMSA and the Broome MSA. PNB, during the evaluation period, worked with various housing and redevelopment authorities in their use of Community Development Block Grants. The bank loaned additional monies to low- and moderate-income individuals to complete their housing renovations that cost more than the grants they received. These loans were made at "below market" rates.

PNB developed a mortgage closing cost assistance grant program to aid low- and moderate-income individuals. They worked with a non-profit agency that sponsors a first time homebuyers assistance program for these individuals.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Lending Test in the MSA of Broome County is consistent with the bank's overall "low satisfactory" performance under the Lending

Test. This performance had a positive impact on the overall rating in the Lending Test. Refer to Tables 1 through 13 in appendix D for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the SUSCO NON-MSA and the SWH MSA is good. Based upon a limited scope review in the Broome-MSA the bank's performance is also good.

Refer to Table 14 in Appendix D for the facts and data used to evaluate the bank's level of qualified investments.

SUSCO NON-MSA

Investments in this non-MSA are excellent. During the evaluation period, PNB made 30 grants and donations totaling \$241 thousand, several of them benefiting the entire AA.

These grants and donations addressed the identified needs of the area and were made to several local non-profit organizations for various CD initiatives throughout the AA.

We determined through community contacts and our internal research that there are very limited opportunities for qualified investments and very strong competition for qualified investments exists in the non-MSA.

SWH MSA

Investments in the MSA are good. PNB made seven grants and donations totaling \$7 thousand. These grants and donations also addressed the identified needs of the area and were made to various local non-profit organizations for various CD initiatives throughout the AA.

Again we determined through community contacts and our internal research that very limited opportunities exist for qualified investments and competition is very strong.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Investment Test in the MSA of Broome County is adequate. This performance had a neutral impact on the overall rating in the Investment Test.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the SUSCO NON-MSA and the SWH MSA is good. Based upon a limited scope review in the Broome-MSA the bank's performance is also good.

Retail Banking Services

Refer to Table 15 in Appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Refer to Table 13 in appendix D for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

PNB offers a variety of checking account products. One of the products is a no minimum balance, no monthly service charge checking account tailored for senior citizens on fixed incomes. The bank also provides these depositors with free checks. The bank's basic personal checking account offers no monthly services charges, normally \$5.00 per month, with a minimum monthly balance of \$400 or more. The bank also offers a personal no minimum balance checking account with a \$.50 per check fee charge for individuals who have limited account activity. Additionally, the bank offers a no minimum balance, no monthly service charge checking account product for non-profit organizations and charitable groups. The bank also offers a checking account geared for the public government. This account has a \$.05 per check fee, for over 50 checks, and no monthly service fee, normally \$5.00 per month, with a monthly balance of \$500 or more.

The bank's ATM network offers an alternative delivery system for delivering retail banking services. PNB also maintains a transactional internet website. The website allows the consumer to access account information, stop payments, download transactions and statements, pay bills online, schedule payments and balance their account. Cash management services are also offered to business customers.

PNB maintains a twenty-four hour telephone banking system for deposit and transaction verifications as well as transferring between accounts. Since the bank could not provide specific information on how low- and moderate-income individuals are impacted by this service, significant weight was not placed on this alternative delivery system when drawing conclusions for the Service Test.

SUSCO NON-MSA

PNB's delivery systems are accessible to individuals of different income levels within this AA based upon population demographics and locations of the bank's branches and ATMs. There are no low-income or moderate-income geographies in this AA. PNB operates 4 of its 10 full service branches within its SUSCO AA. All of the four branch offices and the administrative office in this AA are in middle-income geographies, as is all of the population.

No branches were opened or closed during the evaluation period in the AA. Banking hours and services provided Monday through Friday are supplemented by Saturday hours at all four banking facilities located in the AA. The bank's traditional line of banking products and services are offered at all four branches. The bank maintains three ATMs at branch locations in the AA.

SWH MSA

PNB's delivery systems are accessible to individuals of different income levels within this AA based upon population demographics and locations of the bank's branches and ATMs. There are no low-income or moderate-income geographies in this AA. All of the three branch offices in this AA are in middle-income geographies, as is all of the population.

Banking hours and services provided Monday through Friday are supplemented by Saturday hours at all three of the banking facilities located in the AA. The bank's traditional line of banking products and services are offered at all branches. All of the branches have ATMs.

Community Development Services

PNB provides a good level of community development services in the AAs. Bank employees and officers were engaged in several organizations/programs providing technical and financial assistance that benefit low- and moderate-income individuals and economic development.

The following are examples of the community development services provided by PNB employees in the AAs:

- An officer serves as a member on the family selection committee for Susquehanna County Habitat for Humanity.
- An employee serves as the secretary of the Board of an organization that provides services for low-income individuals and families.
- An officer is a Board member of an organization that provides health and wellness services to qualifying mothers and children.
- An officer is a serves as a board member of an organization that provides for children of abused women who leave their homes.
- A director serves as a Board member for an organization which provides scholarships for low-to-moderate income adults and students for education.
- An employee serves on the benevolence committee of her church which assists the needy in their community.
- An officer is the Secretary/Treasurer of a local organization which assists other organizations in developing businesses and renovating buildings for rental purposes for elderly and possibly low-income families.
- An officer serves as a committee member of the local Red Cross which helps pay heating bills for families who cannot afford them and provide assistance to fire victims.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on a limited-scope review, the bank's performance under the Service Test in the MSA of Broome County is consistent with the bank's overall "high satisfactory" performance under the Service Test. This performance had a positive impact on the overall rating in the Service Test.

State Ratings

State of Pennsylvania

CRA Rating for Pennsylvania:

The lending test is rated: Low Satisfactory

The investment test is rated: High Satisfactory

The service test is rated: High Satisfactory

The major factors that support this rating include:

- A substantial majority of home mortgage loans and small loans to businesses are originated within the assessment areas (AAs) in Pennsylvania;
- The borrower distribution of home mortgage loans is adequate;
- Community development loans had a positive impact on the lending test rating;
- PNB's record of making community development investments in its Pennsylvania AAs is good.
- PNB's service delivery systems are accessible to Pennsylvania AA residents.

State of New York

CRA Rating for New York:

The lending test is rated: Low Satisfactory

The investment test is rated: Low Satisfactory

The service test is rated: High Satisfactory

The major factors that support this rating include:

- The borrower distribution of home mortgage loans is adequate;
- PNB's record of making community development investments in its New York AAs is adequate.
- PNB's service delivery systems are accessible to New York AA residents.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD loans): 01/01/2002 to 06/30/2005 Investment and Service Tests and CD Loans: 03/19/2002 to 08/22/2005	
Financial Institution		Products Reviewed
Peoples National Bank Hallstead, PA		Home Mortgages, Small Loans to Businesses and CD loans.
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Susquehanna County Non-MSA	Full-Scope	N/A
Scranton--Wilkes-Barre-- Hazleton, PA MSA #42540	Full-Scope	
Broome County, NY MSA #13780	Limited-Scope	

Appendix B: Summary of State Ratings

RATINGS		Peoples National Bank		
Overall Bank:	Lending Test Rating*	Investment Test Rating	Service Test Rating	Overall Bank/State/Multistate Rating
Peoples National Bank	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
State:				
PENNSYLVANIA	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
NEW YORK	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

(*) The lending test is weighted more heavily than the investment and service tests in the overall rating.

Appendix C: Market Profiles for Full-Scope Areas

State of Pennsylvania

SUSCO NON-MSA

Demographic Information for Full-Scope Area: Susquehanna County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	0.00	100.00	0.00	0.00
Population by Geography	42,238	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	13,144	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	2,405	0.00	0.00	100.00	0.00	0.00
Farms by Geography	195	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	11,810	19.31	21.19	23.45	36.05	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	4,783	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$41,475 = \$48,350 = 12%	Median Housing Value Unemployment Rate		= \$85,802 = 4.5%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, and 2005 HUD updated MFI.

PNB's AA includes all of Susquehanna County, which is a non-MSA. Within this county, PNB is ranked number one out of five institutions in the county for its market share of deposits and has 38.25% of the deposits based on the June 30, 2005 FDIC/OTS Summary of Deposits Market Share Report. PNB operates their administrative offices, four full service branches and three ATMs in this non-MSA. The ATMs are located at branch offices.

Banking competition is very strong for both loans and deposits in the MSA. Competition exists from large regional institutions, community banks and credit unions. Major banking competitors in the county include: Community Bank and Trust Company, ranked 2nd in deposit share (29.32%) with 3 offices; and NBT Bank, N.A., ranked 3rd in market share of deposits (19.73%) with 6 offices.

PNB offers a traditional line of banking products for loans and deposits. The economy in the area is relatively weak but the unemployment rate has stabilized due mainly to new small businesses opening in the area. Major employers in the county include Barnes-Kasson County Hospital, local school districts and the state government.

A community contact was conducted and information from an additional local contact was reviewed. The contacts identified the need for affordable credit as the primary need in the area, but thought that the local financial institutions were meeting this need.

State of Pennsylvania

SWH MSA

Demographic Information for Full-Scope Area: Wyoming County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	100.00	0.00	0.00
Population by Geography	28,080	0.00	0.00	100.00	0.00	0.00
Owner-Occupied Housing by Geography	8,499	0.00	0.00	100.00	0.00	0.00
Businesses by Geography	1,275	0.00	0.00	100.00	0.00	0.00
Farms by Geography	85	0.00	0.00	100.00	0.00	0.00
Family Distribution by Income Level	7,779	18.59	19.54	23.46	38.41	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	2,966	0.00	0.00	100.00	0.00	0.00
Median Family Income HUD Adjusted Median Family Income for 2005 Households Below the Poverty Level	= \$43,893 = \$51,300 = 10%	Median Housing Value Unemployment Rate		= \$91,862 = 5.0%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 U.S. Census, and 2005 HUD updated MFI.

PNB's AA includes Wyoming County, which is part of the Scranton--Wilkes-Barre--Hazleton, PA MSA. Other counties in this MSA include Lackawanna, and Luzerne Counties in the northeastern region of Pennsylvania. PNB operates in this MSA in seven of the 168 census tracts. Within this MSA, PNB is ranked 20th for its market share of deposits and has 0.78% of the deposits based on the June 30, 2005 FDIC/OTS Summary of Deposits Market Share Report. PNB operates three full service branches and three ATMs in this MSA. The ATMs are all located at branch offices.

Banking competition is very strong for both loans and deposits in the MSA. Competition exists from national institutions, large regional institutions, community banks and credit unions. Major banking competitors in the MSA include: PNC Bank, N.A., ranked first in deposit share (21.75%) with 36 offices; M&T Bank, ranked second in market share of deposits (12.75%) with 18 offices; and Wachovia Bank, N.A., ranked third in deposit share (11.33%) with 19 offices.

PNB offers a traditional line of banking products for loans and deposits. The economy in the area is relatively stable however unemployment has been rising due to various manufacturing firms closing plants in the area. Major employers in the MSA include Procter and Gamble, local school districts, and Tyler Memorial Hospital.

A community contact was conducted and information from an additional local contact was reviewed. The contacts identified the need for affordable credit as the primary need in the area, but thought that the local financial institutions were meeting this need.

Appendix D: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column with the appropriate caption, such as: “Statewide/Regional,” “Statewide/Regional with potential benefit to one or more AAs” or “Out of Assessment Area.” “Out of Assessment Area” is used ONLY if the bank has otherwise adequately met the CD lending needs of its assessment area.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank, if applicable, over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories. Not applicable.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also

presents market share information based on the most recent aggregate market data available.

- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1

million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

Table 12. Borrower Distribution of Small Loans to Farms - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area. Not applicable.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column with the appropriate caption, such as: "Statewide/Regional," "Statewide/Regional with potential benefit to one or more AAs" or "Out of Assessment Area." "Out of the Assessment Area" is used ONLY if the bank has otherwise adequately met the qualified investment needs of its assessment area.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Institution ID: PEOPLES NATIONAL BANK (10000007702) (Included)

Table 1. Lending Volume

LENDING VOLUME		Geography: PEOPLES NB AA						Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
PNB 2000 Census 2004-4	24.65	98	9,743	254	9,110	0	0	2	600	354	19,453	27.38
PNB 2000 Census 2 NonM\$	69.50	326	21,690	659	14,276	7	55	6	2,900	998	38,921	69.81
Limited Review:												
PNB 2000 Census 2004-4	5.85	28	2,143	56	2,229	0	0	0	0	84	4,372	2.81

* Loan Data as of June 30, 2005. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from March 19, 2002 to August 22, 2005.

*** Deposit Data as of June 30, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: PEOPLES NATIONAL BANK (1000007702) (Included)

Table 1. Other Products

LENDING VOLUME		Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005				
MA/Assessment Area (2005):	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:														
PNB 2000 Census 2004-	0.00	0	0	0	0	0	0	0	0	0	0	0	0	27.38
PNB 2000 Census 2 NonM	0.00	0	0	0	0	0	0	0	0	0	0	0	0	69.81
Limited Review:														
PNB 2000 Census 2004-	0.00	0	0	0	0	0	0	0	0	0	0	0	0	2.81

* Loan Data as of June 30, 2005. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Optional Product Line(s) is from January 01, 2004 to June 30, 2005.

*** Deposit Data as of June 30, 2005. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

(Included)

Table 1. Other Products

LENDING VOLUME		Geography: PEOPLES NB AA		Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005	
MA/Assessment Area (2005):	Other Unsecured Consumer Loans*		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
Full Review:					
PNB 2000 Census 2004-	0	0	0	0	0
PNB 2000 Census 2 NonM	0	0	0	0	0
Limited Review:					
PNB 2000 Census 2004-	0	0	0	0	0

* The evaluation period for Optional Product Line(s) is from January 01, 2004 to June 30, 2005.

(10000007702) (Included)

Table2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE 2005			Geography: PEOPLES NB AA						Evaluation Period: JANUARY 1, 2004 TO JUNE 30,						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	35	21.74	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	4.68	0.00	0.00	4.68	0.00
PNB 2000 Census 2004-05 NonMSASusq	110	68.32	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	10.50	0.00	0.00	10.50	0.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	16	9.94	1.25	0.00	11.71	0.00	57.68	81.25	29.35	18.75	0.43	0.00	0.00	0.65	0.29

* Based on 2005 Peer Mortgage Data (Eastern)

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT 2005			Geography: PEOPLES NB AA						Evaluation Period: JANUARY 1, 2004 TO JUNE 30,						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	21	15.79	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	6.52	0.00	0.00	6.52	0.00
PNB 2000 Census 2004-05 NonMSASusq	104	78.20	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	22.06	0.00	0.00	22.06	0.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	8	6.02	1.25	0.00	11.71	0.00	57.68	100.00	29.35	0.00	0.56	0.00	0.00	0.94	0.00

* Based on 2005 Peer Mortgage Data (Eastern)

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE 30, 2005			Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% Owner Occ Units***	% BANK Loans***	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	42	26.75	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	4.08	0.00	0.00	4.08	0.00
PNB 2000 Census 2004-05 NonMSASusq	112	71.34	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	7.82	0.00	0.00	7.82	0.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	3	1.91	1.25	0.00	11.71	0.00	57.68	100.00	29.35	0.00	0.13	0.00	0.00	0.16	0.14

* Based on 2005 Peer Mortgage Data (Eastern)

** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: PEOPLES NB AA						Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005								
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*						
	#	% of Total**	% of MF Units***	% BANK Loans*** *	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:																	
PNB 2000 Census 2004-05 MSA Wyo	0	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	0	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Limited Review:																	
PNB 2000 Census 2004-05 MSA Broome	1	100.0 0	18.49	0.00	39.46	0.00	27.05	100.00	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2005 Peer Mortgage Data (Eastern)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

(10000007702) (Included)

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES 30, 2005			Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total*	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	254	26.21	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	659	68.01	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	56	5.78	12.12	3.57	21.58	8.93	43.61	75.00	22.69	12.50	0.00	0.00	0.00	0.00	0.00

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2005).

(10000007702) (Included)

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS JUNE 30, 2005			Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms* **	% BANK Loans	% of Farms* **	% BANK Loans	% of Farms* **	% BANK Loans	% of Farms* **	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	0	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	7	100.00	0.00	0.00	0.00	0.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	0	0.00	1.68	0.00	9.24	0.00	70.59	0.00	18.49	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2005).

(10000007702) (Included)

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans**	% Families3	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	35	21.74	18.59	8.82	19.54	26.47	23.46	23.53	38.41	41.18	5.46	11.54	5.80	2.65	6.43
PNB 2000 Census 2004-05 NonMSASusq	110	68.32	19.31	6.48	21.19	19.44	23.45	26.85	36.05	47.22	12.27	20.00	10.92	14.12	10.61
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	16	9.94	19.51	18.75	18.98	25.00	22.57	31.25	38.94	25.00	0.51	0.85	0.30	0.58	0.52

* Based on 2005 Peer Mortgage Data (Eastern)

** As a percentage of loans with borrower income information available. No information was available for 1.9% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

3 Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT 30, 2005		Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE					
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total*	% Families***	% BANK Loans****	% Families ⁴	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	21	15.79	18.59	0.00	19.54	19.05	23.46	47.62	38.41	33.33	6.67	0.00	7.32	9.26	5.88
PNB 2000 Census 2004-05 NonMSASusq	104	78.20	19.31	19.42	21.19	25.24	23.45	21.36	36.05	33.98	22.22	17.24	20.69	21.25	25.00
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	8	6.02	19.51	25.00	18.98	12.50	22.57	37.50	38.94	25.00	0.58	1.83	0.42	0.46	0.34

* Based on 2005 Peer Mortgage Data (Eastern)

** As a percentage of loans with borrower income information available. No information was available for 0.8% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

⁴ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE 30, 2005		Geography: PEOPLES NB AA								Evaluation Period: JANUARY 1, 2004 TO JUNE					
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share*				
	#	% of Total* *	% Families ***	% BANK Loans****	% Families ⁵	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans**	Overa ll	Low	Mod	Mid	Upp
Full Review:															
PNB 2000 Census 2004-05 MSA Wyo	42	26.75	18.59	14.29	19.54	21.43	23.46	33.33	38.41	30.95	4.77	5.77	4.03	5.36	4.48
PNB 2000 Census 2004-05 NonMSASusq	112	71.34	19.31	16.22	21.19	25.23	23.45	25.23	36.05	33.33	8.91	23.08	7.50	5.88	8.99
Limited Review:															
PNB 2000 Census 2004-05 MSA Broome	3	1.91	19.51	0.00	18.98	33.33	22.57	33.33	38.94	33.33	0.16	0.00	0.00	0.20	0.28

* Based on 2005 Peer Mortgage Data (Eastern)

** As a percentage of loans with borrower income information available. No information was available for 0.6% of loans originated and purchased by bank.

*** Percentage of Families is based on the 2000 Census information.

**** Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

⁵ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

(10000007702) (Included)

Table11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES 30, 2005		Geography: PEOPLES NB AA			Evaluation Period: JANUARY 1, 2004 TO JUNE				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total*	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
PNB 2000 Census 2004-05 MSA Wyo	254	26.21	67.06	67.32	93.70	3.94	2.36	0.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	659	68.01	65.32	72.99	95.45	3.64	0.91	0.00	0.00
Limited Review:									
PNB 2000 Census 2004-05 MSA Broome	56	5.78	62.17	60.71	96.43	0.00	3.57	0.00	0.00

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2005).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 11.15% of small loans to businesses originated and purchased by the bank.

(10000007702) (Included)

Table12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS 2005		Geography: PEOPLES NB AA			Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share*	
	#	% of Total*	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
PNB 2000 Census 2004-05 MSA Wyo	0	0.00	91.76	0.00	0.00	0.00	0.00	0.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	7	100.00	96.92	100.00	100.00	0.00	0.00	0.00	0.00
Limited Review:									
PNB 2000 Census 2004-05 MSA Broome	0	0.00	92.02	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2005 Peer Small Business Data -- US and PR

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2005).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

(10000007702) (Included)

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: PEOPLES NB AA				Evaluation Period: JANUARY 1, 2004 TO JUNE 30, 2005			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
PNB 2000 Census 2004-05 MSA Wyo	0	0	7	7	7	7	2.80	0	0
PNB 2000 Census 2004-05 NonMSASusq	0	0	30	241	30	241	96.40	0	0
Limited Review:									
PNB 2000 Census 2004-05 MSA Broome	0	0	5	2	5	2	0.80	0	0

* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

(10000007702) (Included)

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS JANUARY 1, 2004 TO JUNE 30, 2005								Geography: PEOPLES NB AA				Evaluation Period:					
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
PNB 2000 Census 2004-05 MSA Wyo	27.38	3	30.00	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	100.00	0.00
PNB 2000 Census 2004-05 NonMSASusq	69.81	4	40.00	0.00	0.00	100.00	0.00	0	0	0	0	0	0	0.00	0.00	100.00	0.00
Limited Review:																	
PNB 2000 Census 2004-05 MSA Broome	2.81	3	30.00	0.00	0.00	100.00	0.00	2	0	0	0	2	0	3.55	18.50	50.80	27.14