PREMIER BANCORP INC /PA/
Form 10-Q
May 15, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2003

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM .... TO ....

COMMISSION FILE NUMBER: 1-15513

PREMIER BANCORP, INC.
(Exact name of Registrant as specified in its charter)

PENNSYLVANIA	23-2921058
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

379 NORTH MAIN STREET, DOYLESTOWN, PA 18901
(Address of principal executive offices)

(215) 345-5100
(Registrant's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes |_| No |X|

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common stock: $0.33 par value; 3,527,578 shares issued and 3,417,720 shares outstanding as of May 9, 2003.

PART I - FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

PREMIER BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	MARCH 31 2003 (UNAUDITE
	(I
ASSETS:	
Cash and due from banks	$ 22,03
Short-term investments	9,54
Interest-bearing deposits	6,01
Cash and cash equivalents	37,59
Investment securities:	
Held to maturity (fair value $500 in 2003 and 2002)	50
Available for sale (amortized cost $183,819 in 2003 and $202,605 in 2002)	184,45
Loans held for sale	1,91
Loans receivable (net of allowance for loan losses of $4,284 in 2003 and $4,229 in 2002)	360,51
Premises and equipment	4,60
Accrued interest receivable	3,07
Deferred income taxes	1,31
Other assets	3,08
Total assets	$ 597,04
LIABILITIES, MINORITY INTEREST IN SUBSIDIARIES AND SHAREHOLDERS' EQUITY:	
Deposits	$ 442,24
Borrowings	79,99
Accrued interest payable	2,66
Other liabilities	5,40
Subordinated debt	1,50
Total liabilities	531,81
Corporation-obligated mandatorily redeemable capital securities of subsidiary trusts holding solely junior subordinated debentures of the corporation	25,00
SHAREHOLDERS' EQUITY:	
Preferred stock- no par value; 20,000,000 shares authorized; Series A Preferred issued and outstanding 552,000 at March 31, 2003 and December 31, 2002	12,34
Common stock- $0.33 par value; 30,000,000 shares authorized; 3,527,373 shares issued and 3,417,515 shares outstanding at March 31, 2003; 3,452,273 shares issued and 3,342,415 shares outstanding at December 31, 2002	1,16
Additional paid-in capital	12,90
Retained earnings	14,71
Treasury stock at cost; 109,858 shares at March 31, 2003 and December 31, 2002	(1,31
Accumulated other comprehensive income	42
Total shareholders' equity	40,23

Total liabilities, minority interest in subsidiaries and shareholders' equity	$ 597,04

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

PREMIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(UNAUDITED)	
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE D	
INTEREST INCOME:		
Loans	$ 6,271	$ 5,992
Short-term investments and interest-bearing deposits	50	103
Investments:		
Taxable	1,898	1,222
Tax-exempt	139	247
Total interest income	8,358	7,564
INTEREST EXPENSE:		
Deposits	2,603	3,327
Borrowings	745	519
Total interest expense	3,348	3,846
Net interest income	5,010	3,718
Provision for loan losses	70	285
Net interest income after loan loss provision	4,940	3,433
NON-INTEREST INCOME:		
Service charges and other deposit-related fees	93	94
Gain (loss), net, on sale of investment securities available for sale	15	(38)
Gain on sale of loans held for sale	129	13
Fees from sales of title insurance policies	24	40
Other fees	20	27
Total non-interest income	281	136
NON-INTEREST EXPENSE:		
Salaries and employee benefits	1,452	1,257
Occupancy	240	200

Data processing	315	255
Professional services	69	64
Marketing	47	66
Minority interest in expense of subsidiaries	412	218
Other	495	424
Total non-interest expense	3,030	2,484
Income before income tax	2,191	1,085
Income tax expense	685	283
Net income	$ 1,506	$ 802
Less: Preferred stock dividends	$ (319)	$ --
Net income applicable to common shareholders	$ 1,187	$ 802
EARNINGS PER COMMON SHARE:		
Basic	$ 0.35	$ 0.24
Diluted	$ 0.34	$ 0.23
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	3,366,983	3,277,115
Diluted	3,483,467	3,429,582

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

PREMIER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR E
	2003
OPERATING ACTIVITIES:	
Net income	$ 1,5
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation expense	1
Provision for loan losses	
Fair market value adjustments on IPCD derivatives	
Amortization of premiums/discounts on investment securities available for sale	2
Gain (loss) on sales of investment securities available for sale	(
Gain on sales of loans held for sale	(1
Originations of loans held for sale	(5,7
Proceeds from sales of loans held for sale	5,9
Decrease in accrued interest receivable	4
Increase in other assets	(1,3
Increase in deferred loan fees	
Decrease in accrued interest payable	(

Decrease (increase) in other liabilities	(4
Net cash provided by operating activities	6
INVESTING ACTIVITIES:	
Proceeds from sales of investment securities available for sale	40,5
Repayment of investment securities available for sale	9,6
Purchases of investment securities available for sale	(31,7
Net increase in loans receivable	(5,0
Purchases of premises and equipment	(2
Net cash provided by (used in) investing activities	13,2
FINANCING ACTIVITIES:	
Net (decrease) increase in deposits	(14,2
Net (decrease) increase in borrowings less than 90 days	(
Payment of preferred stock dividends	(3
Proceeds from exercised common stock options	2
Net cash (used in) provided by financing activities	(14,3
(Decrease) increase in cash and cash equivalents	(4
CASH AND CASH EQUIVALENTS:	
Beginning of period	38,0
End of period	$ 37,5
SUPPLEMENTAL DISCLOSURES:	
Cash payments for:	
Interest expense	$ 3,3
Taxes	
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:	
Change in the estimated fair value of investment securities available for sale	$ 6
Change in the deferred tax asset related to investment securities available for sale	(2
Tax effect of exercised common stock options	1

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

PREMIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION

Premier Bancorp, Inc. (PBI) is a Pennsylvania business corporation and a registered financial holding company headquartered in Doylestown, Bucks County, Pennsylvania. PBI was incorporated on July 15, 1997 and reorganized on November 17, 1997 as the one-bank holding company of Premier Bank. PBI elected financial holding company status in December 2000. PBI's primary business is the operation of its wholly-owned subsidiary, Premier Bank, which is managed as a single business segment.

Premier Bank provides a full range of banking services to individual and corporate customers through its branch banking system located in Bucks, Montgomery and Northampton Counties in Pennsylvania. Premier Bank is a Pennsylvania chartered commercial bank and a member of the Federal Reserve Bank of Philadelphia. Premier Bank's deposits are insured to the legal limits by the Federal Deposit Insurance Corporation. Premier Bank competes with other financial institutions and other financial services companies with respect to customers and services offered.

Both PBI and Premier Bank are regulated and periodically examined by certain federal and state agencies.

2. PENDING ACQUISITION

On January 16, 2003, PBI announced that it had entered into a definitive agreement to be acquired by Fulton Financial Corporation based in Lancaster, Pennsylvania. Under the terms of the agreement, Fulton Financial will acquire all of PBI's issued and outstanding shares of common stock. As of January 16, 2003, each share of PBI common stock outstanding was entitled to an exchange for 1.34 shares of Fulton common stock. This exchange ratio was adjusted to 1.407 pursuant to Fulton Financial's declaration of a 5% common stock dividend on April 15, 2003 to shareholders of record on April 30, 2003. All outstanding shares of PBI preferred stock are expected to be redeemed as of or before the closing date of the transaction. This acquisition, which is subject to the approval of bank regulators and PBI shareholders, is expected to close by the third quarter of 2003.

3. BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements of PBI have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of Premier Bancorp, Inc. and its wholly-owned subsidiaries: Premier Bank, PBI Capital Trust, Premier Capital Trust II, Lenders Abstract, LLC and Premier Bank Insurance Services, LLC. In the opinion of management, the accompanying unaudited financial statements contain all material adjustments, including elimination of all significant intercompany accounts and transactions, necessary to present fairly PBI's financial position, results of operations and cash flows for the periods indicated, and have been prepared in a manner consistent with the audited financial statements as of December 31, 2002. These results of operations for the three months ended March 31, 2003 and 2002 are not necessarily indicative of the results that may be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements and the footnotes for the fiscal year ended December 31, 2002 included in PBI's annual report on Form 10-K filed with the Securities and Exchange Commission.

4. USE OF ESTIMATES

In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States as applied to the banking industry, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates. Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for loan losses.

PREMIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

5. DERIVATIVE FINANCIAL INSTRUMENTS

PBI and its subsidiaries have limited involvement with derivative financial instruments and currently use them only in relation to Premier Bank's Index Powered SM Certificate of Deposit (IPCD) product. The IPCD, which was introduced in the first quarter of 2001, contains an embedded derivative feature that provides a potential return to the depositor based upon a formula that is dependent on the return of the Standard & Poor's 500 (R) Index. This innovative 5-year term deposit product allows the customer to receive a return that is based on an equity market index in place of a stated interest rate but, like other traditional certificates of deposit, is insured by the FDIC to the extent provided by law.

Premier Bank entered into derivative contracts with the Federal Home Loan Bank of Pittsburgh (FHLB) in order to offset the risks associated with the variable cost of the IPCD. Under the terms of these derivative contracts, Premier Bank will receive an amount equal to the amount to be paid to the IPCD depositor in exchange for a periodic payment stream expressed as a rate of interest.

The derivative contracts with the FHLB and the derivatives embedded in the IPCD are accounted for in accordance with Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. Accordingly, PBI carries these derivatives at fair value in the Consolidated Balance Sheets and recognizes any changes in fair value in current period earnings. We obtain the fair value estimates for these derivatives from a third party financial institution.

The notional amount of derivative contracts was $16,601,000 and $16,575,000 at March 31, 2003 and December 31, 2002, respectively. The fair value of derivatives is included in "Other liabilities" and approximated $2,448,000 and $2,608,000 at March 31, 2003 and December 31, 2002, respectively. During the three months ended March 31, 2003 approximately $28,000 was recorded in other expense for net changes in the fair value of derivatives compared to $19,000 in other income for the three ended March 31, 2002. The fair value adjustments are due to changes in prevailing interest rates and the resulting valuations of future payments due to the FHLB.

6. EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated on the basis of the weighted average number of common shares outstanding. Diluted earnings per common share includes dilutive common stock equivalents as computed under the treasury stock method using average common stock prices for the respective period. Options to purchase 221,760 and 395,463 shares of common stock were outstanding at March 31, 2003 and 2002, respectively, and to the extent dilutive, were included in the computation of earnings per diluted common share. There were no anti-dilutive options excluded from the calculation of earnings per diluted common share for the first quarter ended March 31, 2003 compared to 51,998 of such options for the first quarter ended March 31, 2002.

Earnings are reduced as applicable to common shareholders by the amount of preferred stock dividends paid, if any. PBI paid $319,000 in preferred stock dividends during the three months ended March 31, 2003.

PREMIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

6. EARNINGS PER COMMON SHARE (CONTINUED)

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per common share calculations.

	FOR THE THREE MONTHS ENDED MARCH 31, 2003		
	NET INOME APPLICABLE TO COMMON SHAREHOLDERS	WEIGHTED AVERAGE NUMBER OF COMMON SHARES	PER SHAR
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Basic earnings per common share	$ 1,187	3,366,983	$
Effect of dilutive common stock options	-	116,484	
Earnings per diluted common share	$ 1,187	3,483,467	$

	FOR THE THREE MONTHS ENDED MARCH 31, 2002		
	NET INOME APPLICABLE TO COMMON SHAREHOLDERS	WEIGHTED AVERAGE NUMBER OF COMMON SHARES	PER SHAR
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		
Basic earnings per common share	$ 802	3,277,115	$
Effect of dilutive common stock options	-	152,467	
Earnings per diluted common share	$ 802	3,429,582	$

7. COMPREHENSIVE INCOME

The following table displays net income and the components of other comprehensive income to arrive at total comprehensive income. The only component of other comprehensive income is the change in the estimated fair value of investment securities available for sale.

	FOR THE THREE MONTHS ENDED MARCH 31, 2003	MARCH 31, 2002
	(DOLLARS IN THOUSANDS)	
Net income	$ 1,506	$ 802
Other comprehensive income, net of tax:		
Unrealized gains on investment securities		

available for sale:		
Unrealized holding gains during the period	406	128
Reclassification adjustment for (gains) losses included in net income	(10)	25
Other comprehensive income, net of tax	396	153
Comprehensive income	$ 1,902	$ $ 955

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PREMIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

8. STOCK DIVIDENDS

Common Stock Dividends

On February 13, 2003, PBI's board of directors approved a cash dividend of $0.05 per share or $170,000 to common shareholders of record on March 21, 2003. This dividend was paid on April 15, 2003.

On May 8, 2003, PBI's board of directors approved a cash dividend of $0.05 per share to common shareholders of record on June 23, 2003 and payable on July 15, 2003.

Preferred Stock Dividends

On January 6, 2003, PBI's board of directors approved a cash dividend of $0.578125 per share or $319,000 to preferred shareholders of record on January 16, 2003. This dividend was paid on January 31, 2003 and represented payment for the quarter November 1, 2002 through January 31, 2003.

On April 7, 2003, PBI's board of directors approved a cash dividend of $0.578125 per share or $319,000 to preferred shareholders of record on April 16, 2003. This dividend was paid on April 30, 2003 and represented payment for the quarter February 1, 2003 through April 30, 2003.

9. STOCK-BASED COMPENSATION

PBI maintains two stock option plans. In connection with the bank's initial stock offering in 1992, 486,497 options were issued to certain incorporators, directors, officers and institutional investors. In addition, PBI adopted a stock option plan in 1995 whereby up to 315,000 options may be granted to employees or directors based on a discretionary incentive basis.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123." This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Statement also amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

PBI accounts for its stock option plans under the recognition and

measurement principles of Accounting Principles Board (APB) Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock based employee compensation is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. PBI continues to apply the provisions of APB Opinion No. 30, as permitted by Statement No. 123, and provides pro-forma net income and pro-forma earnings per share disclosures for stock option grants made in 1995 and subsequent years as if the fair value method had been applied. During the three months ended March 31, 2003 and 2002, no options were granted.

PREMIER BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

9. STOCK-BASED COMPENSATION (CONTINUED)

	FOR THE THREE MONTHS ENDED MARCH,	
	2003	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net income per common share:		
As reported	$ 1,187	$ 802
Pro forma	1,187	802
Basic earnings per common share:		
As reported	$ 0.35	$ 0.24
Pro forma	0.35	0.24
Diluted earnings per common share:		
As reported	$ 0.34	$ 0.23
Pro forma	0.34	0.23

ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the significant changes in the results of operations for the three months ended March 31, 2003 as compared to the same period in 2002 and changes in the balance sheet from December 31, 2002 to March 31, 2003. Current performance may not be indicative of future performance. This discussion should be read in conjunction with PBI's 2002 Annual Report on Form 10-K.

Management has made forward-looking statements in this Quarterly Report on Form 10-Q. These forward-looking statements may be subject to risks and uncertainties. Forward-looking statements include the information concerning possible or assumed future results of operations of Premier Bancorp, Inc. and its subsidiaries, Premier Bank, PBI Capital Trust, Premier Capital Trust II, Lenders Abstract, LLC and Premier Bank Insurance Services, LLC. When words such as "believes", "expects", "anticipates" or similar expressions occur in this Form 10-Q, management is making forward-looking statements.

Shareholders should note that many factors, some of which are discussed elsewhere in this Form 10-Q, could affect the future financial results of PBI and its subsidiaries, both individually and collectively, and could cause those results to differ materially from those expressed in the forward-looking statements contained in this Form 10-Q. These factors include, but are not limited to, the following:

- operating, legal and regulatory risks, such as continued levels of loan quality and origination volumes, continued relationships with major customers, and technological changes;

- economic, political and competitive forces affecting Premier Bank's business, such as changes in economic conditions, especially in the bank's market area, interest rate fluctuations, competitive product and pricing pressures within the bank's market, personal and corporate bankruptcies, monetary policy and inflation; and

- the risk that management's analyses of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

Management cautions readers not to place undue reliance on these forward-looking statements that reflect its analysis only as of this date. Management is not obliged to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after this date. Readers should carefully review the risk factors described in other documents that we file from time to time with the Securities and Exchange Commission, including Annual Reports on Form 10-K and any current reports on Form 8-K.

GENERAL

Premier Bancorp, Inc.

Premier Bancorp, Inc. (PBI) is a registered financial holding company. We were incorporated in the Commonwealth of Pennsylvania in July 1997 and reorganized on November 17, 1997 as the one-bank holding company of Premier Bank. Our primary business is the operation of our wholly-owned principal subsidiary, Premier Bank, which we manage as a single business segment and which is a state chartered Federal Reserve member commercial bank whose deposits are insured by the Federal Deposit Insurance Corporation's Bank Insurance Fund to the fullest extent provided by law. Premier Bank was organized in 1990 and began operations on April 24, 1992.

Our consolidated financial condition and results of operations consist almost entirely of those of Premier Bank. At March 31, 2003, we had total consolidated assets of $597,045,000, total deposits of $442,245,000 and total shareholders' equity of $40,235,000.

Our other wholly-owned subsidiaries include PBI Capital Trust, Premier Capital Trust II, Lenders Abstract, LLC and Premier Bank Insurance Services, LLC. PBI Capital Trust and Premier Capital Trust II are Delaware statutory business trusts established for the sole purpose of issuing $10,000,000 and $15,000,000, respectively, in trust preferred securities. PBI Capital Trust and Premier Capital Trust II were established in 1998 and 2002, respectively. Lenders Abstract, LLC is a Pennsylvania limited liability company organized in December 2000 to sell title insurance policies. Premier Bank Insurance Services, LLC is a Pennsylvania limited liability company organized in March 2002 principally to sell long-term health care insurance policies.

On January 16, 2003, PBI announced that it had entered into a definitive agreement to be acquired by Fulton Financial Corporation based in Lancaster, Pennsylvania. Under the terms of the agreement, Fulton Financial will acquire

all of PBI's issued and outstanding shares of common stock. As of January 16, 2003, each share of PBI common stock outstanding was entitled to an exchange for 1.34 shares of Fulton common stock. This exchange ratio

was adjusted to 1.407 pursuant to Fulton Financial's declaration of a 5% common stock dividend on April 15, 2003 to shareholders of record on April 30, 2003. The exchange ratio is subject to further adjustment in the event of additional stock splits, stock dividends and similar matters of Fulton common stock through the effective date of the acquisition. All outstanding shares of PBI preferred stock are expected to be redeemed as of or before the closing date of the transaction. This acquisition, which is subject to the approval of bank regulators and PBI shareholders, is expected to close by the third quarter of 2003.

Premier Bank

Premier Bank is a Pennsylvania chartered financial services provider whose business primarily consists of originating loans to small to mid-sized businesses and attracting retail deposits from the general public. The bank also invests in securities such as mortgage-backed securities, obligations of U.S. government agencies and government sponsored entities, collateralized mortgage obligations, corporate bonds and municipal bonds. The bank's revenues are primarily derived from net interest income. Over our eleven-year history, we have grown significantly through internal growth.

Our deposit products include checking, savings, and money market accounts, as well as certificates of deposit. We offer numerous credit products, but specialize in lending to small to mid-sized businesses and professionals. We offer a full array of lending products including loans secured by real estate and other assets, working capital lines and other commercial loans. We make a wide range of consumer loan products available such as residential mortgage loans, home equity loans and lines of credit, personal lines of credit and other consumer loans. We sell our retail -based residential mortgage loans in the secondary market. We also offer other services such as internet banking, telephone banking, cash management services, automated teller services and safe deposit boxes. Further, through our subsidiary, Lenders Abstract, LLC, we sell title insurance. We also offer long-term health care insurance products through our subsidiary, Premier Bank Insurance Services, LLC.

Premier Bank conducts business from seven full-service Pennsylvania banking offices in Doylestown, Easton, Southampton, Floral Vale, Bethlehem, Montgomeryville, and Bensalem. In addition, the bank operates a limited service branch in the Heritage Towers Retirement Community in Doylestown. We opened our eighth full-service Pennsylvania banking office in Abington, Montgomery County on May 12, 2003.

Our consolidated results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowed money. We also generate non-interest income such as service charges on deposit products, gains from sales of residential mortgages, fees from sales of title insurance and other fees. Our non-interest expenses primarily consist of employee compensation and benefits, occupancy expenses, marketing, data processing costs and other operating expenses. The bank is subject to losses from its loan and investment portfolios if borrowers/issuers fail to meet their obligations or if the market value of its investment securities declines. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

CRITICAL ACCOUNTING POLICIES

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions and conditions.

In management's opinion, the most critical accounting policies impacting PBI's consolidated financial statements are:

Evaluation of the allowance for loan losses

The loan loss allowance policy involves significant judgments and assumptions by management that may have a material impact on the carrying value of net loans and, potentially, on the net income recognized from period to period. For a description of our accounting policies and estimation methodology related to the allowance for loan losses, see "Allowance for loan losses".

Realization of deferred income tax items

Estimates of deferred tax assets and deferred tax liabilities make up the asset category titled, "Deferred income taxes." These estimates involve significant judgments and assumptions by management, which may have a material impact on the carrying value of deferred tax assets for financial reporting purposes. For a more detailed description of these items and estimates, see Note 13 (Income Taxes) to the Annual Financial Statements included in Form 10-K for the year ended December 31, 2002.

The Notes to our consolidated financial statements set forth herein and in the Annual Financial Statements identify other significant accounting policies used in the development and presentation of our financial statements. This discussion and analysis, the significant accounting policies and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors that are necessary for an understanding and evaluation of our results of operations.

RESULTS OF OPERATIONS

We reported net income applicable to common shareholders of $1,187,000 or $.34 earnings per common share on a diluted basis for the three months ended March 31, 2003. This represents an increase of $385,000 or 48% from the net income applicable to common shareholders of $802,000 or $.23 earnings per common share on a diluted basis reported for the same period in 2002. Net interest income was $1,292,000 higher for the three months ended March 31, 2003 compared to the same period in 2002 due to a $124,314,000 or 28% increase in average interest-earning assets, a 125 basis point decrease in the rate on average interest-bearing liabilities and a higher ratio of average interest-earning assets to average interest-bearing liabilities. Average investment and average loan balances were $88,707,000 and $39,636,000 higher, respectively, than the comparable average balances for the three months ended March 31, 2002. This growth was funded by proceeds from the issuance of preferred stock and capital securities, deposit growth and an increase in long-term FHLB advances. The rate on average interest-bearing deposits decreased 142 basis points from 3.95% for the three months ended March 31, 2002 to 2.53% for the three months ended March

31, 2003 primarily due to the repricing of certificates of deposit in the lower rate environment and the shift in deposit mix toward interest-bearing checking accounts. The ratio of average interest-earning assets to average interest-bearing liabilities increased from 113.69% for the three months ended March 31, 2002 to 114.34% for the three months ended March 31, 2003.
Non-interest income was $281,000 for the three months ended March 31, 2003 compared to $136,000 for the same period in 2002. The $145,000 or 107% increase in non-interest income for the three months ended March 31, 2003 was primarily due to higher gains on the sales of residential mortgages held for sale.
Non-interest expenses were $3,030,000 for the three months ended March 31, 2003 compared to $2,484,000 for the same period in 2002. Non-interest expenses were $546,000 or 22% higher during the three months ended March 31, 2003 due in part to the overall growth of the company and the additional cost related to the $15,000,000 in capital securities issued in September 2002.

Return on average assets and return on average equity on an annualized basis are presented in the following table for the three months ended March 31, 2003 and 2002.

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2003	2002
Return on Average Assets (1)	0.80%	0.71%
Return of Average Common Equity (2)	17.72%	15.85%

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(1) Calculated as net income applicable to common shareholders divided by average assets.
(2) Calculated as net income applicable to common shareholders divided by average total equity less average preferred stock.

Net interest income

Net interest income is the most significant component of our operating income. Net interest income depends upon the levels of interest-earning assets and interest-bearing liabilities and the difference or "spread" between the respective yields earned and rates paid. The interest rate spread is influenced by the overall interest rate environment, the composition and characteristics of interest-earning assets and interest-bearing liabilities, and by competition. The interest rate spread is also influenced by differences in the maturity and repricing of assets versus the liabilities that fund them.

Responding to generally weak economic conditions, the Federal Reserve cut the targeted federal funds rate by .50% in 2002 and 4.75% in 2001. As a result, the current interest rate environment is at a historically low level. The bank's interest-earning assets and interest-bearing liabilities continue to originate and reprice in this lower rate environment. The yields on our average interest-earning assets were 6.03% for the three months ended March 31, 2003 compared to 7.02% for the same period in 2002. The rates on our average interest-bearing liabilities were 2.73% for the three months ended March 31, 2003 compared to 3.98% for the same period in 2002.

Net interest income on a tax-equivalent basis increased $1,252,000 or 32% from $3,864,000 for the three months ended March 31, 2002 to $5,116,000 for the three months ended March 31, 2003. This increase was primarily a function of asset growth, a lower rate on average interest-bearing liabilities and a higher ratio of average interest-earning assets to average interest-bearing liabilities. These positive factors were partially offset by a lower yield on average interest-earning assets. Average interest-earning assets grew $124,314,000 or 28% while the yield on average interest-earning assets declined 99 basis points. Average investments grew $88,707,000 with a decrease in the average yield on such investments of 199 basis points. Average loans grew $39,636,000 with a decrease in the average yield on such loans of 49 basis points. The average rate on interest-bearing liabilities improved due mostly to the repricing of certificates of deposits in the lower rate environment, the change in deposit mix and new long-term borrowings at lower rates. The offering rates on our deposit products have been lowered in response to the interest rate environment. Despite this lower interest rate environment we had considerable success in raising non-maturity deposits that are generally less costly than time deposits. The average balance of non-maturity deposits grew $86,922,000 and was concentrated in interest checking accounts. The ratio of average interest-earning assets to average interest-bearing liabilities increased from 113.69% for the three months ended March 31, 2002 to 114.34% for the three months ended March 31, 2003. The net interest rate spread and net interest margin improved 26 and 12 basis points, respectively.

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The following tables set forth, for the periods indicated, certain average balance sheet amounts and their corresponding earnings/expenses and rates (which have been annualized).

AVERAGE BALANCES, RATES AND INTEREST INCOME AND EXPENSE SUMMARY

	FOR THE THREE MONTHS END			
	2003			
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	A B
			(DOLLARS IN THO	
Assets:				
Short-term investments	$ 7,224	$ 21	1.18%	$
Interest-bearing deposits	10,899	29	1.08%	
Investment securities available for sale				
Taxable (1)	175,641	1,892	4.37%	
Tax-exempt (1) (2)	11,443	211	7.48%	
Investment securities held to maturity	500	6	4.87%	
Total investment securities	187,584	2,109	4.56%	
Loans, net of unearned income (3) (4)	363,821	6,305	7.03%	
Total interest-earning assets	569,528	8,464	6.03%	
Cash and due from banks	21,419			
Allowance for loan losses	(4,296)			
Other assets (5)	13,979			

Total assets	$ 600,630			$
Liabilities, minority interest in subsidiaries and shareholders' equity:				
Interest checking	$ 145,131	547	1.53%	$
Money market deposit accounts	20,438	90	1.79%	
Savings accounts	60,188	248	1.67%	
Time deposits	191,738	1,718	3.63%	
Total interest-bearing deposits	417,495	2,603	2.53%	
Short-term borrowings	19,114	15	0.32%	
Long-term borrowings	60,000	712	4.81%	
Subordinated debt	1,500	18	4.87%	
Total borrowings	80,614	745	3.75%	
Total interest-bearing liabilities	498,109	3,348	2.73%	
Non interest-bearing deposits	30,657			
Other liabilities	7,671			
Capital securities	25,000			
Shareholders' equity (6)	39,193			
Total liabilities, minority interest in subsidiaries and shareholders' equity	$ 600,630			$
Net interest income/rate spread		$ 5,116	3.30%	
Net interest margin (7)			3.64%	
Average interest-earning assets as a percentage of average interest-bearing liabilities	114.34%			

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(1) Excludes the SFAS 115 valuation allowance on investment securities available for sale.

(2) Interest income on tax-exempt investment securities was presented on a tax-equivalent basis. Tax-exempt yields were adjusted to a tax equivalent basis using a 34% rate.

(3) Includes non-accrual loans of $4,961,000 and $2,690,000 on average for the three months ended March 31, 2003 and 2002, respectively.

(4) Includes tax-exempt loans of $4,822,000 and $2,263,000 on average for the three months ended March 31, 2003 and 2002, respectively. Tax-exempt yields were adjusted to a tax-equivalent basis using a 34% rate.

(5) Excludes the deferred tax asset related to the SFAS 115 valuation allowance on investment securities available for sale.

(6) Excludes the SFAS 115 valuation allowance on investment securities available for sale, net of tax.

(7) Net interest margin is calculated as net interest income divided by average interest-earning assets.

Non-interest income

Non-interest income consists primarily of service charges and other deposit related fees, fees from sales of title insurance policies and gains (losses) on the sale of investment securities available for sale, loans held for sale and other real estate owned.

For the three months ended March 31, 2003, non-interest income was $281,000 or $145,000 higher than the $136,000 recorded during the same period in 2002. During the three months ended March 31, 2003, we recorded $129,000 in gains on the sale of residential mortgages held for sale compared to $13,000 during the same period in 2002. During the three months ended March 31, 2003, we recorded $15,000 in gains on the sale of AFS securities compared to $38,000 in losses during the same period in 2002.

Non-interest expense

For the three months ended March 31, 2003, non-interest expenses were $3,030,000. This was $546,000 or 22% higher than the $2,484,000 in non-interest expenses recorded during the same period in 2002. Non-interest expenses in 2003 increased principally due to the continued growth of the company and additional costs related to the $15,000,000 in capital securities issued in September 2002.

Salaries and benefits were $195,000 or 16% higher in the first quarter of 2003 compared to the same period in 2002. This increase was principally due to an increase in the number of employees, salary adjustments and higher health insurance costs. The number of full-time equivalent employees grew from 83 at March 31, 2002 to 93 at March 31, 2003. Data processing expenses increased $60,000 primarily due to the growth of the company, variable costs associated with item processing and account volumes, and new services. We incurred an additional $194,000 in minority interest expense related to the $15,000,000 in capital securities issued in September 2002. Other expenses consisted primarily of furniture and equipment expense, shareholder-related expenses, loan expense, Pennsylvania shares tax expense, employee travel, meals and entertainment, stationery/supplies, postage and board of directors' fees. The $92,000 or 20% increase in other expenses is primarily attributed to the growth of the company and an increase in loan collection expenses.

Provision for loan losses

The provision for loan losses represents the amount necessary to be charged to operations to bring the allowance for loan losses to a level that represents management's best estimate of known and inherent losses in the bank's loan portfolio. The amount of the allowance for loan losses is subject to ongoing analysis of the loan portfolio, which considers current economic conditions, actual loss experience, the current risk profile of the portfolio, delinquency statistics, and the composition of loan types within the portfolio. The bank's loan portfolio is relatively immature given its recent growth rates. Therefore, charge-off and non-performing trends may not be indicative of future performance.

The provision for loan losses was $70,000 for the three months ended March 31, 2003, respectively, compared to $285,000 for the same period in 2002. The amount of the loan loss provision for the three months ended March 31, 2003 was lower than the comparable period in 2002 primarily due to less loan growth during the first quarter of 2003 compared to the first quarter of 2002. Total gross loans grew $4,998,000 or 1% during the three months ended March 31, 2003 compared to $23,790,000 or 8% during same period in 2002.

The loan loss allowance as a percentage of total loans was 1.17% and 1.21% at March 31, 2003 and 2002, respectively.

Income tax expense

We recorded a $685,000 tax provision representing an effective tax rate of 31.3% for the three months ended March 31, 2003 compared to $283,000 or 26.1% for the same period in 2002. The effective tax rate for the three months ended March 31, 2003 was higher than the comparable period in 2002, principally due to a lower ratio of tax-exempt interest to total pre-tax income. Our statutory federal tax rate is 34%.

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FINANCIAL CONDITION

Consolidated assets decreased $12,927,000 or 2% during the three months ended March 31, 2003 to $597,045,000. Investment balances decreased $18,185,000 while net loans grew $4,916,000. Deposits decreased $14,241,000 with the most significant reduction occurring in interest checking accounts. The reduction in deposits was a result of us lowering rates in response to the overall interest rate environment.

Shareholders' equity increased $1,799,000 from $38,436,000 at December 31, 2002 to $40,235,000 at March 31, 2003. This increase was attributable to $1,187,000 in earnings after preferred stock dividends, a $396,000 improvement in the estimated fair value of investment securities available for sale, net of tax, and $386,000 from the exercise of common stock options. These increases were partially offset by $170,000 in common stock dividends declared.

Investment securities

Investment policies dictate permissible investment categories, credit quality, maturity intervals and investment concentrations. Management is responsible for making the specific investment purchases within these standards. The carrying value of investment securities at March 31, 2003 totaled $184,956,000 or 31% of total assets. At March 31, 2003, approximately 54% and 7% of the investment portfolio was comprised of mortgage-backed securities and collateralized mortgage obligations, respectively, that amortize and provide monthly cash flow. Corporate bonds and municipal bonds comprised 28% and 6% of the investment portfolio, respectively. At March 31, 2003, approximately 64% of the investment portfolio was fixed rate compared to 66% at December 31, 2002.

Management buys and sells investment securities from time to time depending on market conditions, business trends, liquidity and capital levels. Investment purchases provide a way to add assets quickly and generate additional earnings. The bank generally earns a positive interest spread by assuming interest rate risk and using deposits and borrowings to purchase securities with longer maturities.

Management classifies investment securities at the time of purchase by one of three categories: trading, available for sale (AFS) or, held to maturity (HTM). To date, management has not purchased any securities for trading purposes. Management classifies most of its securities as AFS. The AFS designation affords management the flexibility to sell securities and adjust the balance sheet in response to capital levels, liquidity needs and/or changes in market conditions. AFS securities are marked to market in the Consolidated Balance Sheets with an adjustment to equity, net of tax, and presented in the caption "Accumulated other comprehensive income (loss)."

During the three months ended March 31, 2003, investments, exclusive of the SFAS 115 valuation allowance, decreased $18,786,000. Corporate bonds, exclusive

of the SFAS 115 valuation allowance, decreased $19,212,000. Mortgage-backed securities, exclusive of the SFAS 115 valuation allowance, decreased $12,363,000. The decrease in mortgage-backed securities was partially offset by an increase in similar collateralized mortgage obligations of $12,131,000.

At March 31, 2003, the AFS portfolio had an estimated market appreciation of $637,000 before tax and an equity adjustment of $420,000, net of tax. This represents a $396,000 improvement in the estimated fair value of AFS securities, net of tax, compared to December 31, 2002. The gross unrealized gain on mortgage-backed securities was $1,414,000 at March 31, 2003 while corporate bonds had a gross unrealized loss of $1,005,000.

The majority of the unrealized losses in our corporate bond portfolio are concentrated in variable rate single issuer trust preferred securities issued by other financial institutions. Management evaluated the credit quality of these single issuer trust preferred securities prior to purchasing them and monitors them on an ongoing basis. Management believes that the credit quality of these securities is sound and that the company will ultimately be repaid. Additionally, management believes that the low interest rate environment has adversely impacted the valuation of these variable rate bonds. Management views the unrealized loss in the market value of these single issuer trust preferred securities as temporary. If, at some future date, management believes that this loss is other than temporary or that the recovery of the unrealized loss on variable rate single issuer trust preferred securities is not probable, we will recognize the loss through earnings which will reduce regulatory capital.

INVESTMENT PORTFOLIO

	MARCH 31, 2003		
	Held to Maturity		Available
	Amortized Cost	Estimated Fair Value	Amortized Cost
	(In thousands)		
Mortgage-backed securities	$ --	$ --	$ 98,164
Collateralized mortgage obligations	--	--	12,131
Municipal securities	--	--	11,718
Equity securities	--	--	4,123
Corporate bonds	--	--	52,573
Mutual funds	--	--	5,000
Other debt securities	500	500	110
Total	$ 500	$ 500	$183,819

	DECEMBER 31, 2002		
	Held to Maturity		Available
	Amortized Cost	Estimated Fair Value	Amortized Cost

		(In thousands)	
Mortgage-backed securities	$ --	$ --	$110,527
Municipal securities	--	--	11,214
Equity securities	--	--	3,969
Corporate bonds	--	--	71,785
Mutual funds	--	--	5,000
Other debt securities	500	500	110
Total	$ 500	$ 500	$202,605

Loans

Gross loans increased $4,998,000 or 1% from $361,495,000 at December 31, 2002 to $366,493,000 at March 31, 2003. Loan growth during the first quarter of 2003 was minimal primarily due to loan pay-offs and competition for new loans. The majority of the loan portfolio is collateralized, at least in part, by real estate in the greater Delaware and Lehigh Valleys of Pennsylvania and New Jersey. Real estate values are subject to risks associated with the local economy. Loans secured by commercial properties grew $4,302,000 during the three months ended March 31, 2003.

Inherent in the lending function is the evaluation and acceptance of credit risk and interest rate risk. We manage credit risk through portfolio diversification, underwriting policies and procedures, and loan monitoring practices. We manage interest rate risk using various asset/liability modeling techniques and analyses. Most loans are adjustable rate that reset in intervals of five years or less. When possible, we also originate variable rate loans.

Our lending activity is focused on small to mid-sized businesses and professionals within our market area.

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LOAN PORTFOLIO

	MARCH 31, 2003		DECEMBER 31,
	AMOUNT	% OF TOTAL	AMOUNT
	(DOLLARS IN THOUSANDS)		
Real estate-farmland	$ 189	0.05%	$ 194
Real estate-construction	12,130	3.31%	10,574
Real estate-residential	29,749	8.12%	32,446
Real estate-multifamily	19,632	5.36%	19,350
Real estate-commercial	257,659	70.30%	253,357
Commercial	46,183	12.60%	44,387
Consumer	951	0.26%	1,187
Total loans	366,493	100.00%	361,495
Less:			
Deferred loan fees	(1,695)		(1,668)
Allowance for loan losses	(4,284)		(4,229)
Total loans, net	$ 360,514		$ 355,598

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Allowance for loan losses

The allowance for loan losses reflects management's best estimate of losses, both known and inherent, in the existing loan portfolio. Management's judgment is based on the evaluation of individual loans, past experience, the assessment of current economic conditions, and other relevant factors. The provision for loan losses charged to operating expenses represents the amount necessary to maintain an appropriate allowance. Loan losses are charged directly against the allowance for loan losses when loans are deemed to be uncollectible. Recoveries on previously charged-off loans are added to the allowance when received.

Estimates are used to determine the allowance for loan losses. A variety of factors are considered in establishing these estimates including current economic conditions, diversification of the loan portfolio, delinquency statistics, borrowers' perceived financial and managerial strengths, the adequacy of underlying collateral, if collateral dependent, or present value of future cash flows, and other relevant factors. Each commercial loan is assigned a specific loan loss reserve using a scoring system. This scoring system takes into consideration collateral type and value, loan to value ratios, the borrower's risk rating, and other factors previously described. Borrower risk ratings are determined by loan officers at the inception of each loan and are subject to on-going analysis and update by an independent loan reviewer. Homogeneous loans, comprised primarily of home equity and non-real estate secured consumer loans, are analyzed in the aggregate.

Because the bank is only eleven years old with a limited history of loan losses, management also uses peer group analysis to gauge the overall reasonableness of loan loss reserves. While management calculates the allowance based on specific loans or loan categories, it considers the total allowance available for losses in the entire loan portfolio. Changes in economic conditions and the financial condition of borrowers can occur quickly, and as a result, impact management's estimates.

Regulatory authorities, as an integral part of their examinations, periodically review the allowance for loan losses. They may require additions to the allowance based upon their judgment and information available to them at the time of examination.

Management considers the allowance for loan losses to be appropriate.

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To comply with industry reporting requirements, management allocated the allowance for loan losses by loan categories in the table below.

ALLOWANCE FOR LOAN LOSS ALLOCATION

	MARCH 31, 2003		DECEMBER 31, 2002		MA
	AMOUNT	% LOANS TO TOTAL LOANS	AMOUNT	% LOANS TO TOTAL LOANS	AMOUNT
			(DOLLARS IN THOUSANDS)		

Balance at end of period applicable to:					
Real estate-farmland	$ 1	0.05%	$ 1	0.05%	$ 2
Real estate-construction	103	3.31%	89	2.92%	74
Real estate-residential	306	8.12%	335	8.98%	275
Real estate-multifamily	171	5.36%	169	5.35%	121
Real estate-commercial	2,556	70.30%	2,580	70.09%	2,551
Commercial	1,137	12.62%	1,043	12.28%	1,069
Consumer	10	0.24%	12	0.33%	10
Total	$4,284	100.00%	$4,229	100.00%	$4,102

At March 31, 2003, the allowance for loan losses totaled $4,284,000 or 1.17% of total loans compared to 1.17% and 1.21% at December 31, 2002 and March 31, 2002, respectively.

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The following table sets forth the activity in the allowance for loan losses and certain key ratios for the periods indicated. The bank's loan portfolio is relatively immature given its recent growth rates. Therefore, current charge-off and non-performing asset trends may not be indicative of future performance.

ALLOWANCE FOR LOAN LOSSES

	FOR THE THREE MONTHS ENDED MARCH 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2002	FOR THE THREE MONTHS ENDED MARCH 31, 2002
	(DOLLARS IN THOUSANDS)		
Balance at beginning of period	$ 4,229	$ 3,817	$ 3,817
Charge-offs			
Real estate-commercial	--	295	--
Commercial	15	163	--
Total charge-offs	15	458	--
Recoveries	--	--	--
Net charge-offs	15	458	--
Provision for loan losses	70	870	285
Balance at end of period	$ 4,284	$ 4,229	$ 4,102
Total gross loans:			
Average	$365,554	$348,169	$325,803
End of period	$366,493	$361,495	$339,856
Ratios:			
Net charge-offs to:			
Average loans	--	0.13%	--
Loans at end of period	--	0.13%	--
Allowance for loan losses	0.35%	10.83%	--

Provision for loan losses	21.43%	52.64%	--
Allowance for loan losses to:			
Total gross loans at end of period	1.17%	1.17%	1.21%
Non-performing loans	85.85%	87.21%	156.03%

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Non-performing assets

Non-performing assets are defined as accruing loans past due 90 days or more, non-accruing loans, restructured loans and other real estate owned. Non-performing assets represented .84% and .79% of total assets at March 31, 2003 and December 31, 2002, respectively. Non-accrual and impaired loans were one and the same at March 31, 2003 and December 31, 2002.

NON-PERFORMING ASSETS

	MARCH 31, 2003	DECEMBER 31, 2002
	(DOLLARS IN THOUSANDS)	
Loans past due 90 days or more and accruing	$ --	$ --
Non-accrual loans	4,990	4,849
Other real estate owned	--	--
Total non-performing assets	$ 4,990	$ 4,849
Ratio of non-performing loans to total loans	1.36%	1.34%
Ratio of non-performing assets to total assets	0.84%	0.79%

At March 31, 2003, seven unrelated borrowers with an aggregate loan balance of $4,990,000 were classified as non-accrual with two of these borrowers comprising most of the balance with loans of $2,360,000 and $1,511,000, respectively. These two borrowers also comprised the majority of the non-accrual loan balance at December 31, 2002.

During April 2003, approximately $2,188,000 of non-accrual loans were repaid including $1,676,000 on the $2,360,000 credit mentioned above. Disposition of the $1,511,000 credit has been delayed because the borrower filed for bankruptcy. In April 2003, $232,000 in non-accruing loans were transferred to other real estate owned.

The average balance of non-accrual loans was $4,961,000 for the three months ended March 31, 2003. No interest income was recognized on non-accrual/impaired loans during either the three months ended March 31, 2003 or 2002. Total interest income that would have been recognized on non-accrual loans was $114,000 and $62,000 for the three months ended March 31, 2003 and 2002, respectively.

Loans held for sale

Residential mortgages generated at the retail level are generally sold

within 30 days of their settlement pursuant to pre-existing commitments. At March 31, 2003, loans held for sale totaled $1,910,000 compared to $1,928,000 at December 31, 2002. The fluctuation in balances relates to the timing of the loan originations versus their sale. We sold $5,788,000 and $2,038,000 of residential mortgages during the three months ended March 31, 2003 and 2002, respectively. Residential mortgage originations and sales are significantly influenced by the interest rate environment.

Deferred taxes

Deferred taxes decreased $205,000 from $1,522,000 at December 31, 2002 to $1,317,000 at March 31, 2003. This decrease relates to the increase in the estimated fair value of investment securities available for sale.

Other assets

The $1,306,000 increase in other assets from $1,780,000 at December 31, 2002 to $3,086,000 at March 31, 2003 was primarily due to a $591,000 increase in the principal receivable on delay-payment type mortgage-backed securities and $231,000 in capitalized costs related to our pending acquisition by Fulton Financial Corporation. In addition, we recorded a $247,000 receivable from our insurance company to cover losses related to fraudulent activity in a depositor's account. These insurance proceeds were received in April 2003. The remaining $237,000 increase in other assets primarily relates to an increase in prepaid operating expenses.

Deposits

We are largely dependent upon our base of competitively priced core deposits to provide a stable source of funding. The bank has retained and grown its customer base since inception through a combination of price, quality service, customer confidence, convenience, a stable and experienced staff and through expansion of our network of branches.

Total average deposits increased $77,040,000 or 21% from $371,112,000 for the three months ended March 31, 2002 to $448,152,000 for the three months ended March 31, 2003. Our Golden Checking product was the primary source of growth in average deposits.

During 2001 and, continuing to date, the returns of the domestic equity markets were weak and volatile as the U.S. economy was generally sluggish. As a result, the environment for deposit acquisition for financial institutions improved as investors sought the relative safety of FDIC insured deposits, despite a low interest rate environment. We plan to continue to grow deposits through promotions, business development programs, maturation of existing branches and branch expansion. We opened our eighth Pennsylvania branch in Abington, Montgomery County on May 12, 2003.

Core deposits, which exclude time deposits of $100,000 and greater, decreased $23,248,000 or 6% during the three months ended March 31, 2003 to $385,977,000. This decrease was concentrated in the Golden Checking product, which is an interest-bearing checking account. Golden Checking accounts decreased $22,294,000 during the three months ended March 31, 2003 as a result of lowered pricing. Through September 30, 2002, the bank maintained the rate payable on Golden Checking accounts at an annual percentage yield of 3.05%. However, as prevailing market rates continued to decline, the bank lowered the interest rate offered on this product, as well as on most deposit products through March 31, 2003. Interest checking accounts at March 31, 2003 were $134,443,000 or 30% of total deposits compared to $157,691,000 or 35% of total deposits at December 31, 2002. Total time deposits at March 31, 2003 were

$194,175,000 or 44% of total deposits compared to $189,115,000 or 41% of total deposits at December 31, 2002. Approximately $106,804,000 of time deposits will mature after one year. Total deposits decreased $14,241,000 or 3% during the three months ended March 31, 2003 to $442,245,000.

DEPOSITS BY MAJOR CLASSIFICATION

	MARCH 31, 2003			
	WEIGHTED AVERAGE INTEREST RATE	AMOUNT	% OF TOTAL	WEIGHTED AVERAGE INTEREST RATE
			(DOLLARS IN THOUSANDS)	
Interest checking	1.45%	$ 134,443	30.40%	1.68%
Money market	1.69%	22,261	5.03%	1.97%
Savings	1.58%	60,127	13.60%	1.84%
Time	3.58%	194,175	43.91%	3.69%
Total interest-bearing deposits	2.49%	411,006	92.94%	2.61%
Non interest-bearing deposits		31,239	7.06%	
Total deposits		$ 442,245	100.00%	

Borrowings

Borrowings totaled $79,997,000 at March 31, 2003 compared to $80,067,000 at December 31, 2002.

Borrowings included customer repurchase agreements of $19,997,000 and $20,067,000 at March 31, 2003 and December 31, 2002, respectively. Under customer repurchase agreements, depositors agree to lend excess demand deposits to us overnight at rates below the federal funds rate. The balance in customer repurchase agreements will therefore fluctuate daily based on the level of available funds in depositor accounts. These overnight borrowings from customers are collateralized by certain investment securities controlled by the bank.

Borrowings also included $60,000,000 in long-term advances from the FHLB at both March 31, 2003 and December 31, 2002. $30,000,000 of the total long-term FHLB borrowings is fixed rate and matures in 2008. The remaining $30,000,000 is convertible debt that may change from a fixed rate to a variable rate depending on the LIBOR index. This convertible debt matures in 2012. Borrowings from the FHLB are secured by a blanket lien against all of the bank's assets.

The weighted average interest rate on borrowings was 3.64% and 3.62% at March 31, 2003 and December 31, 2002, respectively.

Other liabilities

Other liabilities decreased $367,000 from $5,774,000 at December 31, 2002

to $5,407,000 at March 31, 2003. This decrease relates principally to a $298,000 decrease in accrued compensation costs, a $159,000 decrease in the fair value balance of derivatives related to our IPCD product, and a $246,000 decrease in expenses payable on our capital securities. In addition accrued expenses and other operating accounts used in the normal course of business decreased $222,000 in the aggregate. These decreases were partially offset by a $558,000 increase in federal income taxes payable.

CAPITAL ADEQUACY

Capital is fundamental to support our continued growth. In addition, PBI and Premier Bank are subject to various regulatory capital requirements. Regulatory capital is defined in terms of Tier 1 capital (shareholders' equity plus the allowable portion of the minority interest in equity of subsidiaries, minus unrealized gains or plus unrealized losses on available for sale securities, and minus certain intangible assets), Tier 2 capital (which includes a portion of the allowance for loan losses, minority interest in equity of subsidiaries and subordinated debt), and total capital (Tier 1 plus Tier 2). Risk-based capital ratios are expressed as a percentage of risk-weighted assets. Risk-weighted assets are determined by assigning various weights to all assets and off-balance sheet financial instruments, such as letters of credit and loan commitments, based on associated risk. Regulators have also adopted minimum Tier 1 leverage ratio standards that measure the ratio of Tier 1 capital to total average quarterly assets.

During 2002, we completed two capital raising initiatives that together netted $27,345,000. On September 26, 2002, we issued $15,000,000 of variable rate capital securities due November 30, 2032 through our Delaware subsidiary, Premier Capital Trust II. Proceeds from the capital securities provide PBI with Tier 1 and Tier 2 capital as determined by regulatory capital guidelines. On June 19, 2002, we completed our public offering of 552,000 shares of Series A 9.25% Non-Cumulative Perpetual Preferred Stock at $25.00 per share. The net proceeds from this offering totaled $12,345,000. The Series A Preferred stock qualifies as Tier 1 capital. As part of our announced acquisition by Fulton Financial Corporation, all outstanding shares of PBI preferred stock are expected to be redeemed as of or before the closing date of the transaction.

The tables below depict our capital components and ratios along with the "adequately" and "well" capitalized criteria as defined by FDIC regulations. At March 31, 2003, management believes that PBI is "well capitalized" and in compliance with all regulatory capital requirements.

CAPITAL COMPONENTS

	MARCH 31, 2003	DECEMBER 3 2002
	(IN THOUSANDS)	
Tier 1		
Shareholders' equity	$ 40,235	$ 38,436
Allowable portion of minority interest in equity of subsidiaries	10,000	10,000
Net unrealized gain on investment securities available for sale	(420)	(24
Total Tier 1 Capital	$ 49,815	$ 48,412

Tier 2		
Allowable portion of minority interest in equity of subsidiaries	$ 15,000	$ 15,000
Allowable portion of the allowance for loan losses	4,284	4,229
Allowable portion of subordinated debt	1,500	1,500
Total Tier 2 Capital	$ 20,784	$ 20,729
Total capital	$ 70,599	$ 69,141
Risk-weighted assets	$ 452,984	$ 461,376

CAPITAL RATIOS

	MARCH 31, 2003	DECEMBER 31, 2002	"ADEQ CAPIT RA
Total risk-based capital/risk-weighted assets	15.59%	14.99%	8.
Tier 1 capital/risk-weighted assets	11.00%	10.49%	4.
Tier 1 capital/average assets (leverage ratio)	8.28%	8.05%	4.

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INTEREST RATE SENSITIVITY

We are subject to the interest rate risk inherent in our lending, investing and financing activities. Fluctuations in interest rates will impact both the interest income/expense and market value of all interest-earning assets and interest-bearing liabilities, other than those with a short term to maturity.

The primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on our net interest income while creating an asset/liability structure that maximizes earnings. The Asset Liability Management Committee actively monitors and manages our interest rate exposure using gap analysis and simulation models. Simulation models require significant assumptions about future business trends and interest rates.

Gap analysis measures the difference between volumes of interest rate-sensitive assets and liabilities and quantifies these repricing differences for various time intervals. Static gap analysis depicts interest sensitivity at a point in time. However, it alone does not accurately measure the magnitude of changes in net interest income because changes in interest rates do not always impact assets and liabilities at the same time or in the same magnitude. Furthermore, gap analysis does not consider future growth, changes in asset and liability composition or market conditions.

A positive gap results when the amount of interest rate-sensitive assets exceeds interest rate-sensitive liabilities repricing within the relevant time period and, generally means that the institution will benefit during periods of rising interest rates. A negative gap results when the amount of interest rate-sensitive liabilities exceeds interest rate-sensitive assets repricing within the relevant time period and, generally means that the institution will benefit during periods of falling interest rates. As depicted in the table below, we have a cumulative positive gap at all time intervals.

March 31, 2003	WITHIN 3 months	4 TO 6 months	7 MONTHS to 1 year	1 TO 3 years	3 T ye
			(DOLLARS IN THOUSANDS)		
Assets					
Short-term investments	$ 9,544	$ --	$ --	$ --	$
Interest-bearing deposits	6,017	--	--	--	
Investment securities	75,992	5,900	15,333	31,581	13
Loans, net of deferred fees	60,544	14,808	28,010	102,748	147
Total interest rate-sensitive assets	$152,097	$ 20,708	$ 43,343	$ 134,329	$161
Total cumulative assets	$152,097	$ 172,805	$ 216,148	$ 350,477	$511
Liabilities					
Interest checking, money market and savings accounts	$ 6,505	$ 6,505	$ 13,011	$ 130,110	$ 43
Time deposits	35,069	17,641	34,659	68,606	38
Short-term borrowings	19,997	--	--	--	
Long-term borrowings	--	--	--	--	
Subordinated debt	--	--	1,500	--	
Total interest rate-sensitive liabilities	$ 61,571	$ 24,146	$ 49,170	$ 198,716	$ 81
Total cumulative liabilities	$ 61,571	$ 85,717	$ 134,887	$ 333,603	$415
Gap during period	$ 90,526	$ (3,438)	$ (5,827)	$ (64,387)	$ 79
Cumulative gap	$ 90,526	$ 87,088	$ 81,261	$ 16,874	$ 96
Cumulative gap as a percentage of:					
Interest-earning assets	16.01%	15.41%	14.37%	2.98%	17
Total assets	15.16%	14.59%	13.61%	2.83%	16

We use two different simulation models to measure and monitor interest rate risk. One model is a licensed software program that is run internally and incorporates all of management's assumptions including future growth. The other is a program developed by an outside consulting firm utilizing data we supply (the "consulting model"), and considers only the existing composition and characteristics of the balance sheet without giving effect to anticipated future growth and interest rate changes. Although management has and expects to continue to grow interest-sensitive assets and liabilities, its assumptions about future growth and interest rates are excluded from the

consulting model. Management believes that this approach provides a more conservative measure of our interest rate risk because assumed growth at current

market interest rates tends to lessen the effects of rate changes in simulation models in the short-term.

Actual results may differ from simulated results due to various factors including the time and magnitude of interest rate changes, changes in customer behavior, effects of competition, and other factors. These variables influence the interest-rate spread and product mix. The consulting model predicts a base net interest income amount that is larger than that actually earned in the past 12 months or last fiscal year. This is principally the result of an actual increase in earning assets over the past year, which created a larger starting point for the next 12-month projection. Past experience drives many of the assumptions used in the models. Actual results could vary substantially if our future performance differs from past experience.

The table below summarizes estimated changes in net interest income over a 12-month period beginning April 1, 2003, under alternate interest rate scenarios using the consulting model described above.

CHANGE IN INTEREST RATES	NET INTEREST INCOME	DOLLAR CHANGE	PERCENT CHANGE
		(DOLLARS IN THOUSANDS)	
+200 Basis Points	$18,622	$ 119	0.64%
+100 Basis Points	18,662	159	0.86%
Flat Rate	18,503	--	--
-100 Basis Points	18,046	(457)	(2.47)%
-200 Basis Points	17,740	(763)	(4.12)%

Simulation models require assumptions about certain categories of assets and liabilities. The models schedule existing assets and liabilities by their contractual maturity, estimated likely call date, or earliest repricing opportunity. Mortgage-backed securities and amortizing loans are scheduled based on their anticipated cash flow including estimated prepayments. For investment securities, we use a third party service to provide cash flow estimates in the various rate environments. Savings accounts, including passbook, statement savings, money market, and interest checking accounts, do not have a stated maturity or repricing term and can be withdrawn or repriced at any time. This may impact the margin if more expensive alternative sources of deposits are required to fund loans or deposit runoff. Management projects the repricing characteristics of these accounts based on historical performance and assumptions that it believes reflect their rate sensitivity. The consulting model reinvests all maturities, repayments and prepayments for each type of asset or liability into the same product for a new like term. As a result, the mix of interest-earning assets and interest bearing-liabilities is held constant.

LIQUIDITY

Liquidity represents an institution's ability to generate cash or otherwise obtain funds at reasonable rates to satisfy commitments to borrowers and demands of depositors. Our primary sources of funds are deposits, proceeds from principal and interest payments on loans and investments, sales of AFS securities and borrowings. While maturities and scheduled amortization of loans and investments are a predictable source of funds, deposit flows, loan prepayments and mortgage-backed securities prepayments are influenced by

interest rates, economic conditions, and competition. Competition for deposits may require banks to increase rates on deposits or expand their branch office networks to adequately grow deposits in the future.

During the three months ended March 31, 2003, cash and cash equivalents decreased $452,000. Operating and investing activities provided cash and cash equivalents of $699,000 and $13,220,000, respectively, while financing activities used $14,371,000. The cash provided by investing activities was primarily from sales and repayment of AFS securities that together generated $50,280,000. This cash was used to finance investment purchases of $31,757,000 and loan growth of $5,014,000. Deposit balances decreased $14,241,000.

During the three months ended March 31, 2002, cash and cash equivalents increased $13,634,000. Operating and financing activities provided cash and cash equivalents of $1,254,000 and $35,840,000, respectively, while investing activities used $23,460,000. The cash provided by financing activities was primarily from increases in deposits and borrowings of $32,962,000 and $2,628,000, respectively. Other significant sources of cash included

principal repayments on loans and mortgage-backed securities and sales/calls of investment securities. Together, this cash was used to finance loan growth of $23,790,000.

We monitor our liquidity position on a daily basis. We use overnight federal funds and interest-bearing deposits in other banks to absorb daily excess liquidity. Conversely, overnight federal funds may be purchased to satisfy daily liquidity needs. Federal funds are sold or purchased through a correspondent bank, which diversifies the holdings to an approved group of commercial banks throughout the country. If we require funds beyond our ability to generate them internally, additional sources of funds are available through use of a $6,000,000 unsecured federal funds line of credit with a correspondent bank, and a $165,531,000 borrowing limit at the FHLB. We could also sell or reverse repurchase investment securities. At March 31, 2003, we had available borrowing capacity of $94,231,000 and $6,000,000 with the FHLB and our correspondent bank, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

We have limited involvement with derivative financial instruments and currently use them only in relation to Premier Bank's Index Powered SM Certificate of Deposit (IPCD) product. The IPCD, which was introduced in the first quarter 2001, contains an embedded derivative feature that provides a potential return to the depositor based on a formula that is dependent on the return of the Standard & Poor's 500(R) Index. This innovative 5-year term deposit product allows the customer to receive a return that is based on an equity market index in place of a stated interest rate but, like other traditional certificates of deposit, is insured in its principal amount by the FDIC to the extent provided by law.

We entered into derivative contracts with the FHLB in order to offset the risks associated with the variable cost of the IPCD. Under the terms of these derivative contracts, Premier Bank will receive an amount equal to the amount to be paid to the IPCD depositor, in exchange for a periodic payment stream expressed as a rate of interest.

The derivative contracts with the FHLB and the derivatives embedded in the IPCD are accounted for in accordance with Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. Accordingly, PBI carries these derivatives at fair value in the Consolidated Balance Sheets and recognizes any changes in fair value in current period earnings.

The notional amount of derivative contracts was $16,601,000 and $16,575,000 at March 31, 2003 and December 31, 2002, respectively. The fair value of derivatives is included in "Other liabilities" and approximated $2,448,000 and $2,608,000 at March 31, 2003 and December 31, 2002, respectively. During the three months ended March 31, 2003 approximately $28,000 was recorded in other expense for net changes in the fair value of derivatives compared to $19,000 in other income for the same period in 2002. The fair value adjustments are due to changes in prevailing interest rates and the resulting valuations of future payments due the FHLB.

RECENT ACCOUNTING PRONOUNCEMENTS

Rescission of FASB Statements No. 4, 44, and 64

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements," along with rescinding FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers" and amending FASB Statement No. 13, "Accounting for Leases." This Statement (1) eliminates an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, (2) eliminates the extraordinary item treatment of reporting gains and losses from extinguishment of debt, and (3) makes certain other technical corrections.

The provisions of this Statement related to the rescission of Statement 4 must be applied in fiscal years beginning after May 15, 2002. The provisions of this Statement related to Statement 13 are effective for transactions occurring after May 15, 2002. All other provisions of this Statement are effective for financial statements issued on or after May 15, 2002. There was no impact on earnings, financial condition, or equity upon adoption of Statement No. 145.

Accounting for Costs Associated with Exit or Disposal Activities

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)."

The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002. There was no impact on earnings, financial condition, or equity upon adoption of Statement No. 146.

Acquisitions of Certain Financial Institutions

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions," which amends SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and FASB Interpretation No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both Statement No. 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with FASB Statements No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets."

Thus, the requirement in paragraph 5 of Statement No. 72 to recognize any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of this Statement. In addition, this Statement amends Statement No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that Statement No. 144 requires for other long-lived assets that are held and used.

With some exceptions, the requirements of Statement No. 147 were effective October 1, 2002. The adoption of this Statement did not have an impact on our earnings, financial condition, or equity.

Stock-Based Compensation

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123." This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Statement also amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This Statement was effective for fiscal years ending after December 15, 2002, except for financial reports containing condensed financial statements for interim periods for which disclosure was effective for periods beginning after December 15, 2002. This Statement announces that "in the near future, the

Board plans to consider whether it should propose changes to the U.S. standards on accounting for stock-based compensation". We have not changed to the fair value method of accounting for stock-based employee compensation. We continue to apply the provisions of APB Opinion No. 30, as permitted by Statement No. 123, and provide pro-forma net income and pro-forma earnings per share disclosures for stock option grants made in 1995 and subsequent years as if the fair value method had been applied.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required herein is set forth in Item 2, above.

ITEM 4 - CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, within the 90 days prior to the filing date of this report, PBI carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of PBI's management, including PBI's Chairman, Chief Executive Officer and President and PBI's Chief Financial Officer. Based upon that evaluation, PBI's Chairman, Chief Executive Officer and President and PBI's Senior Vice President and Chief Financial Officer concluded that PBI's disclosure controls and procedures are effective. There have been no significant changes in PBI's internal controls or in other factors, which could significantly affect internal controls subsequent to the date PBI carried out its evaluation.

Disclosure controls and procedures are designed to ensure that

information required to be disclosed in PBI reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in PBI reports filed under the Exchange Act is accumulated and communicated to management, including PBI's Chairman, Chief Executive Officer and President and PBI's Senior Vice President and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

PART II -- OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

At March 31, 2003, there were no known material legal proceedings pending against PBI, its subsidiaries or its property. In addition, no material proceedings are known to be contemplated by government authorities against PBI, its subsidiaries or its property.

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are incorporated by reference herein or attached to this Form 10-Q:

2.1	Agreement and Plan of Merger. (Incorporated by reference to PBI's Form 8-K filed with the SEC on January 21, 2003.)
3(i)	Amended and Restated Articles of Incorporation. (Incorporated by reference to Exhibit 4.1 to PBI's Registration Statement No. 333-87420 on Form S-2 filed with the SEC on May 2, 2002.)
3(ii)	By-Laws. (Incorporated by reference to Exhibit 3(ii) to PBI's Quarterly Report on Form 10-QSB filed with the SEC on November 14, 2000 and amended on December 19, 2000.)
10.1	Premier Bank's 1995 Incentive Stock Option Plan. (Incorporated by reference to Exhibit 99.6 to PBI's Registration Statement No. 333-34243 on Form S-4 filed with the SEC on August 22,1997 and amended on September 9, 1997.)
10.2	Change of Control Agreement between Premier Bancorp, Inc., Premier Bank and John C. Soffronoff. (Incorporated by reference to Exhibit 10.2 to PBI's Quarterly Report on Form 10-QSB filed with the SEC on November 13, 1998.)

10.3 Change of Control Agreement between Premier Bancorp, Inc., Premier Bank and John J. Ginley. (Incorporated by reference to Exhibit 10.3 to PBI's Quarterly Report on Form 10-QSB filed with the SEC on November 13, 1998.)

10.4 Change of Control Agreement between Premier Bancorp, Inc., Premier Bank and Bruce E. Sickel. (Incorporated by reference to Exhibit 10.4 to PBI's Quarterly Report on Form 10-QSB filed with the SEC on November 13, 1998.)

11 Statement re: Computation of Earnings per share. (Included at Note 6 herein.)

99.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

99.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

(b) Reports on Form 8-K

PBI's announced definitive agreement to be acquired by Fulton Financial Corporation based in Lancaster, Pennsylvania was filed on Form 8-K with the SEC on January 21, 2003.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Premier Bancorp, Inc.
Registrant

DATE	SIGNATURE
May 14, 2003	/s/ John C. Soffronoff ---------------------- John C. Soffronoff President, Chief Executive Officer (Principal Executive Officer)
May 14, 2003	/s/ Bruce E. Sickel ------------------- Bruce E. Sickel Chief Financial Officer (Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADDED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Soffronoff, President and Chief Executive Officer, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of Premier Bancorp, Inc.;

2. Based on my knowledge, the quarterly report does not contain any

untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003 By: /s/ John C. Soffronoff

John C. Soffronoff
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADDED BY
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce E. Sickel, Chief Financial Officer, certify, that:

1. I have reviewed this quarterly report on Form 10-Q of Premier Bancorp, Inc.;

2. Based on my knowledge, the quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of the internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/ Bruce E. Sickel

Bruce E. Sickel
Chief Financial Officer
(Principal Financial Officer)

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* Incorporated by reference.