FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

PENSECO FINANCIAL SERVICES CORP

CIK:**1054508**| State of Incorp.:**PA** | Fiscal Year End: **1231**
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SIC: **6022** State commercial banks

Business Address
150 N WASHINGTON AVENUE
SCRANTON PA 18503
7173467741

The cover for our 1998 Annual Report depicts the ribbon cutting ceremonies and portrays indoor and outdoor views of the new banking offices at Green Ridge in Scranton, and at East Stroudsburg.

COVER PAGE

CUSTOMER SERVICES

A detailed listing of the services offered by the Company is as follows:

DEPOSIT ACCOUNTS

All Purpose Clubs
Certificates of Deposit
Christmas Clubs
Demand Accounts
Individual Retirement Accounts
Money Market Accounts
NOW Accounts
Savings Accounts
Time Open Accounts
Vacation Clubs

LENDING

Appliance Loans
Automobile Loans
Business Loans
Collateral Loans
Construction Loans
Credit Lines
Educational Loans
Home Equity Loans
Home Repair and Remodeling Loans
Installment Loans
MasterCard and VISA (Cosmic Card)
Mortgage Loans (Residential and Commercial)
Personal Loans

OTHER SERVICES

ATM Services
Bank Money Orders
Cashier's Checks
College Campus Card Interface
Credit Card Merchant Draft Capture
Data Processing Services
Direct Deposit of Recurring Payments
EDI-ACH Service
Foreign Remittance
Home Banking and Videotex Services
Lockbox Services
Night Depository
Repurchase Agreements
Safe Deposit Boxes
Travelers Checks
Trust Department Services
  (a) Executor
  (b) Administrator
  (c) Trustee
  (d) Guardian
  (e) Agent
  (f) Custodian and Trustee for Pension Plans
  (g) Trustee for Public Bond Issues
  (h) Securities Depository Service
U.S. Savings Bonds

BRANCH LOCATIONS (with ATMs)

ABINGTON
1100 Northern Boulevard
Clarks Summit, PA
(570) 587-4898

CENTRAL CITY
150 North Washington Avenue
Scranton, PA
(570) 346-7741

EAST SCRANTON
Prescott Ave. & Ash Street
Scranton, PA
(570) 342-9101

EAST STROUDSBURG
Route 209 & Route 247
East Stroudsburg, PA
(570) 420-0432

GOULDSBORO
Main & Second Streets
Gouldsboro, PA
(570) 842-6473

GREEN RIDGE
1901 Sanderson Ave.
Scranton, PA
(570) 346-4695

MOUNT POCONO
Route 611 & Route 940
Mount Pocono, PA
(570) 839-8732

NORTH POCONO
Main & Academy Streets
Moscow, PA
(570) 842-7626

SOUTH SCRANTON
526 Cedar Avenue
Scranton, PA
(570) 343-1151

OTHER ATM LOCATIONS

Acorn Market
Route 209
Marshall's Creek, PA

Acorn Market
Route 611
Swiftwater, PA

Convenient Food Mart
Wyoming & Mulberry Streets
Scranton, PA

Kutztown University
Student Center and
South Dining Hall
Kutztown, PA

Meadow Ave & Hemlock St.
Scranton, PA

Metropolitan Life Insurance Company
Morgan Highway
Clarks Summit, PA

Red Barn Village
Newton Ransom Blvd
Newton, PA

ON THE COVER

The cover for our 1998 Annual Report depicts the ribbon cutting ceremonies and portrays indoor and outdoor views of the new banking offices at Green Ridge in Scranton, and at East Stroudsburg.

To the left of this description is a picture of the cover.

INSIDE FRONT COVER

FINANCIAL HIGHLIGHTS

In thousands, except per share data	1998	1997	1996
Earnings per share	$ 1.99	$ 2.20	$ 2.14
Dividends per share	$ 1.05	$ 1.05	$ 1.00
Total Capital	$ 44,961	$ 42,924	$ 40,585
Total Deposits	$ 377,526	$ 374,488	$ 352,026
Total Assets	$ 436,099	$ 427,577	$ 398,035

CONTENTS

PRESIDENT'S LETTER

Dear Shareholder

Despite a reduction in earnings from $2.20 per share in 1997 to $1.99 per share in 1998, Penseco Financial Services Corporation had another good year. Total assets increased from $428 million at the end of 1997 to $436 million at the end of 1998. Total deposits increased from $374 million at the end of 1997 to $378 million at the end of 1998 and total capital increased from $42.9 million at the end of 1997 to $44.9 million at the end of 1998.

As, no doubt, you have already noticed from our front cover, we completed and put into operation two new offices. Our new modern office in Green Ridge contains adjacent customer parking, three drive-up teller lanes and a drive-up ATM and has been made larger than an ordinary branch office to provide for sales of non-banking products including trust, investments and insurance services. Inside are five private offices, a board room, tellers stations, vault, new accounts/safe deposit area, coupon booths, etc. A large storage area exists in the basement. We took great pains architecturally so the new office would "fit" into the existing neighborhood. As we were finishing the construction, we were fortunate to be able to acquire the adjacent property for additional parking, bringing the total parking spaces to fifty-three. This office replaces the existing branch in Green Ridge which was constructed in 1914 as the Green Ridge Bank and which lacked adjacent customer parking, drive-up tellers and an efficient floor plan.

Our new branch office in East Stroudsburg Borough is located at the intersection of business Route 209 and Route 447. This intersection has one of the highest traffic counts in Monroe County. This office contains three drive-up teller lanes, two drive-up ATMs and parking for twenty-eight automobiles. Inside, the branch contains four private offices, a board room, an operations area, an employee lounge, a vault with safe deposit boxes, and teller stations. Again, the "sales" area of the branch includes room for non-deposit type services such as trust, investment and insurance services.

At year end, we had completed the replacement of all of our existing IBM ATMs with state of the art NCR ATMs. These new machines provide us with the ability to implement new automated services for our customers. Going forward, we are interested in providing, through these ATMs, the same services we have available through home/office banking. Among these are interbank funds transfers, certificate of deposit purchases and redemptions, and instant statements. During the year we also installed new ATMs at several convenience store locations as a test of this market. It is too early to tell whether this endeavor will be a profitable one.

By the time you are reading this letter, we will have finished the installation of on-line teller terminals at all of our branches. This new system prints deposit receipts and has the capability to display signatures, images of checks and, ultimately, images of our customers. The installation has progressed smoothly and our tellers have told us that the system is great.

This year we installed two new ATMs on the campus at Kutztown University for use in conjunction with their new campus ID card. Their card provides access to bank accounts held at Penn Security and we created a number of unique services for them. It will be several years before we will be able to fully evaluate the profitability of this new service but the systems developed for this interface seem to be functioning well. Several other colleges are also interested in developing similar campus card systems.

Our Y2K effort remains on schedule and we expect to meet all regulatory preparedness deadlines without difficulty.

Our new check processing machine and image capture system had been placed on hold pending completion of our Y2K effort. We now expect to install this new system in the second quarter of this year.

We now also expect our home/office banking system to be accessible through the Internet in the third quarter of this year.

We have targeted a number of areas where cost savings can be realized through computer related systems. At the top of our priority list, after Y2K is behind us, is form production and postal bar code savings, utilizing our new continuous form laser printer. As one can see, we have been very busy at Penseco Financial Services Corporation. The costs associated with these projects negatively impacted our earnings on a short term basis, however, over the longer term, we believe them to be beneficial to future earnings. In addition to these costs, the net interest margin has been shrinking, due largely to the securitization of loans. Net interest margin was impacted further by the flat slope of the yield curve which, ordinarily, slopes positively.

There are two graph's depicted here:

(1) Positive sloping yield curve
(2) Flay yield curve

a = Spread between deposit rate and loan rate
b = Spread between shorter and longer term obligations

PRESIDENT'S LETTER

Graph at the top of the page plots the following numbers:

<TABLE>
<CAPTION>

<S>	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
ROE	11.94%	11.56%	12.80%	13.32%	11.63%	11.60%	11.95%	11.99%	9.81%	11.49%	11.88%
Inflation Adj. ROE	2.92%	-1.74%	0.28%	4.39%	7.80%	7.81%	8.00%	8.19%	8.71%	7.06%	7.46%
Inflation Rate	9.02%	13.29%	12.52%	8.92%	3.83%	3.79%	3.95%	3.80%	1.10%	4.43%	4.42%

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
ROE	12.49%	11.73%	11.12%	12.38%	11.92%	11.05%	11.36%	11.34%	11.01%	9.52%
Inflation Adj. ROE	7.84%	5.62%	8.06%	9.48%	9.17%	8.37%	8.82%	8.02%	9.31%	7.91%
Inflation Rate	4.65%	6.11%	3.06%	2.90%	2.75%	2.67%	2.54%	3.32%	1.70%	1.61%

</TABLE>

Although the flat yield curve may be considered transient, over the longer term the distance between the loan and deposit curve will narrow thus giving rise to the need over the longer term to obtain additional revenue sources. We believe that an attempt to increase the interest margin through higher risk sub-prime loans or highly leveraging the balance sheet or substituting higher risk securities for virtually all of our substantial treasury bond portfolio may increase the risk to the Bank to unacceptable levels. Our long term solution is through additional fee income from trust and asset management services, credit and debit card merchant services, electronic transaction services, insurance, stock brokerage and estate planning and tax services to name a few. While we get these new services up and running we may experience lower returns than historically recorded as the pump is primed for future revenues.

On the other hand, as the graph above indicates, since 1992 our inflation adjusted return on equity has been averaging 9%, the highest return over the past 20 years. It is not unusual to expect a lower absolute return on equity as the inflation rate declines.

At year end, our Senior Vice-President, D. William Hume retired. Mr. Hume's vast experience over a life of banking greatly benefitted our institution since he joined us nineteen years ago. We are indeed fortunate that his counsel will continue to be available to us since he continues in his role as a director and serves on many of the Bank's committees.

Also at year end, a number of appointments were made. Peter F. Moylan was named Executive Vice-President, Non-Deposit Services and Trust Officer. Mr. Moylan comes to us after a long and successful career in Trust Services at a local, then by merger regional, bank where he managed their Private Bank in the Northeastern Pennsylvania area. In addition to the Trust Department, he will be responsible for integrating insurance sales and securities activities into the already existing non-deposit services.

Andrew A. Kettel, Jr. was named Senior Vice-President. Mr. Kettel, in addition to managing our Central City office, is in charge of our retail branch operations. John R. Anderson III was named Financial Reporting Officer, Lisa A. Kearney, Loan Officer, Jeffrey Solimine, Assistant Vice-President, Aleta Sebastianelli, Assistant Vice-President and Assistant Secretary, Anne M. Cottone, Vice-President and Compliance Officer, Deborah A. Wright, Assistant Vice-President and North Pocono Office Branch Manager, Paula A. Ralston Nenish, Assistant Director of Internal Audit, and Beth S. Wolff, Assistant Vice-President and East Scranton Office Branch Manager. In addition, Carl M. Baruffaldi was appointed as Branch Manager of our new Green Ridge Office, and, in our new East Stroudsburg Office, Denise M. Cebular was appointed as Branch Manager and Nereida Santiago as Assistant Branch Manager and Assistant Cashier.

In our Advisory Boards, Anthony J. Descipio and James A. Forti were added to our North Pocono Office Advisory Board, Everett Jones and George Noone to our Green Ridge Advisory Board, and Attorney Brian Golden and David Lansdowne to our Mount Pocono Advisory Board. We named a new Advisory Board for our East Stroudsburg Office consisting of Mary Citro, Robert J. Dillman, Ph.D., Jere Dunkelberger, Attorney Kirby Upright and Jeffrey Weichel. We are indeed fortunate to have such outstanding people to assist us in running our Bank in their respective communities.

In the economy, the year saw the economic expansion in the United States continue. It is now the longest period of economic expansion ever. This performance of the economy is truly extraordinary in light of the financial turmoil in other parts of the world. But now the Federal Reserve is ruminating about whether their rate reductions last year were prudent, focusing on the very rapid economic growth and indications of renewed inflation and increases in the producer price index. It would not be surprising to see the Federal Reserve increase rates this year to keep inflation under control even though it would most likely trigger the end of the current expansion, pop the bubble in the equity markets and begin a recessionary period.

In looking to the future, we see our Company's strong capital position, good earnings, technological resources, our positioning in the marketplace with regard to niche national markets, as well as our traditional geographic market, all providing an excellent foundation for continued success. In this endeavor, you can help us by recommending us to your family, friends and business acquaintances. This is your institution - let it serve you.

Sincerely yours,

/s/ Otto P. Robinson Jr.

Otto P. Robinson, Jr.
President

BOARD OF DIRECTORS

The top portion of this page of the 1998 Annual Report to Shareholders contains one picture. A description of the picture follows:

Seated left to right:
Russell C. Hazelton,
P. Frank Kozik, Secretary;
Attorney Otto P. Robinson, Jr., President;
Richard E. Grimm, Executive Vice-President and Treasurer;
and Edwin J. Butler

Standing left to right:
Sandra C. Phillips,
James G. Keisling,
Robert W. Naismith, Ph.D.,
James B. Nicholas,
D. William Hume, Senior Vice-President;
and Emily S. Perry

NEW ADVISORY BOARD MEMBERS

The remainder of this page of the 1998 Annual Report to Shareholders contains three pictures. A description of each picture follows, starting from left to right:

Mary Citro
East Stroudsburg Branch

Anthony J. Descipio
North Pocono Branch

Robert J. Dillman, Ph.D.
East Stroudsburg Branch

NEW ADVISORY BOARD MEMBERS

This page of the 1998 Annual Report to Shareholders contains eight pictures. A description of each picture follows, starting at the top, from left to right:

Jere Dunkelberger
East Stroudsburg Branch

James A. Forti
North Pocono Branch

Atty. Brian Golden
Mount Pocono Branch

Everett Jones
Green Ridge Branch

David Lansdowne
Mount Pocono Branch

George Noone
Green Ridge Branch

Atty. Kirby Upright
East Stroudsburg Branch

Jeffrey Weichel
East Stroudsburg Branch

PROMOTIONS & APPOINTMENTS

This page of the 1998 Annual Report to Shareholders contains seven pictures. A description of each picture follows, starting at the top, from left to right:

Peter F. Moylan
Executive Vice-President, Non-Deposit Services and Trust Officer

Andrew A. Kettel, Jr.
Senior Vice-President

Anne M. Cottone
Vice-President and Compliance Officer

Carl M. Baruffaldi
Assistant Vice-President

Denise M. Cebular
Assistant Vice-President

Beth S. Wolff
Assistant Vice-President

Deborah A. Wright

Assistant Vice-President

PROMOTIONS & APPOINTMENTS

This page of the 1998 Annual Report to Shareholders contains six pictures. A description of each picture follows, starting at the top, from left to right:

Aleta Sebastianelli
Assistant Vice-President and Assistant Secretary

Jeffrey Solimine
Assistant Vice-President

Paula A. Ralston Nenish
Assistant Director
of Internal Audit

Nereida Santiago
Assistant Cashier

John R. Anderson III
Financial Reporting Officer

Lisa A. Kearney
Loan Officer

EVENTS OF 1998

This page of the 1998 Annual Report to Shareholders contains two pictures. A description of each picture follows:

(1) Bank officials and other dignitaries look on as Attorney Otto P. Robinson, Jr., President of Penn Security Bank and Trust Company, commences the ribbon cutting for the opening of the new drive-up facility at our Central City Office in Scranton.

(2) Part of the crowd that helped us celebrate the grand opening of our new Green Ridge Office this past summer at an old-fashioned block party, which was held on the Bank's property.

EVENTS OF 1998

This page of the 1998 Annual Report to Shareholders contains four pictures. A description of each picture follows. left to right, starting at the top:

(1&2) The photos (above and right) are of the newly-remodeled teller and lobby areas in our Central City Office.

(3) During the year, the Bank replaced its existing automated teller machines with new, state-of-the-art, multi-function ATMs like the one above.

(4) During the year, Penn Security purchased sophisticated teller machines which are being installed in all of our banking offices to make our teller operations more efficient.

EVENTS OF 1998

This page of the 1998 Annual Report to Shareholders contains four pictures. A description of each picture follows, left to right, starting at the top:

(1) In the photo at left, Shikha Vyas, Manager of Administrative Services at Kutztown University, (left) and Douglas R. Duguay, Director of Campus Banking at Penn Security, (right) look over the newly installed Automated Teller Machine in the South Dining Hall at Kutztown University.

(2) In the photo at right, Arianne Naismith (left) and Robert Robinson (right), part of the Penn Security team that worked during freshman orientation this past summer at Kutztown University, explain the benefits of the "KU Card" to a group of new Kutztown students.

(3&4) This is a sample picture of the new "KU Card," with a student picture and name, that is being used by students, faculty and staff at Kutztown University. The "KU Card" at the University serves as a campus card for dining privileges, door access and library access as well as a banking card for ATM and point-of-sale access through Penn Security Bank.

EVENTS OF 1998

This page of the 1998 Annual Report to Shareholders contains three pictures. A description of each picture follows, starting at the top:

(1) During the year, Penn Security purchased new, state-of-the-art, item processing equipment that makes use of both MICR (magnetic ink character recognition) and OCR (optical character recognition) technologies to process transactions. Documents can be retrieved and viewed on the screen, and customers will be able to retrieve copies of pertinent documents through the Internet when Penn Security has its web site established.

(2) Dr. Virginia Hughson-Otte, President of the American Association of Women Dentists, visited Penn Security last summer. She is pictured here with Otto P. Trostel, Vice-President, Marketing.

(3) Attorney Otto P. Robinson, Jr. welcomes a young visitor to our new East Stroudsburg Office which opened in late November.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 1998

Commission File Number 000-23777

PENSECO FINANCIAL SERVICES CORPORATION

Scranton, Pennsylvania
Commonwealth of Pennsylvania
I.R.S. Employer Identification Number 23-2939222
150 North Washington Avenue
Scranton, Pennsylvania 18503-1848

Telephone number 570-346-7741

Securities Registered Under
Section 12(G) of the Act

Common Stock, Par Value $ .01 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

The aggregate market value of the Company's voting stock held by non-affiliates of the registrant on March 1, 1999, based on the average of the closing bid and asked prices of such stock on that date equals Approximately $90,216,000. The number of shares of common stock outstanding as of March 1, 1999 equals 2,148,000

Documents Incorporated by Reference

Portions of the Corporations 1998 Annual Report to Stockholders are incorporated by reference in Parts I and II.

Portions of the Corporation's definitive proxy statement relating to the 1999 Annual Meeting of Stockholders are incorporated by reference in Part III.

PENSECO FINANCIAL SERVICES CORPORATION

PART I

ITEM 1 BUSINESS

GENERAL

PENSECO FINANCIAL SERVICES CORPORATION, (the "Company" or "PFNS"), which is headquartered in Scranton, Pennsylvania, was formed under the general corporation laws of the State of Pennsylvania in 1997 and is registered as a bank holding company. The Company became a bank holding company upon the acquisition of all of the outstanding shares of Penn Security Bank and Trust Company (the "Bank"), a state chartered bank, on December 31, 1997. The Company is subject to supervision by the Federal Reserve Board. The Bank, as a state chartered financial institution, is subject to supervision by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking.

The Company's principal banking office is located at 150 North Washington Avenue, Scranton, Pennsylvania, containing trust, marketing, audit, credit card, human resources, executive, data processing and central bookkeeping offices. There are eight additional offices.

Through its banking subsidiary, the Company generates interest income from its outstanding loans receivable and its investment portfolio. Other income is generated primarily from merchant transaction fees, trust fees and service charges on deposit accounts. The Company's primary costs are interest paid on deposits and general operating expenses. The Bank provides a variety of general commercial and retail banking services to business and professional customers, as well as retail customers, on a personalized basis. The Bank's primary lending products are real estate, commercial and consumer loans. The Bank also offers ATM access, credit cards, active investment accounts, trust department services and other various lending, depository and related financial services. The Bank's primary deposit products are savings and demand deposit accounts and certificates of deposit.

The Company is not dependent upon a single customer, or a few customers, the loss of one or more of which would have a material adverse effect on its operations. The operations and earnings of the Corporation are not materially affected by seasonal changes or by Federal, state or local environmental laws or regulations.

COMPETITION

The Bank operates in a competitive environment in which it must share its market with many local independent banks as well as several banks which are affiliates or branches of very large regional holding companies. The Bank encounters competition from diversified financial institutions, ranging in size from small banks to the nationwide banks operating in this region, and include commercial banks, savings and loan associations, credit unions and other lending institutions.

The principal competitive factors among the Company's competitors can be grouped into two categories: pricing and services. In the Bank's primary service area, interest rates on deposits, especially time deposits, and interest rates and fees charged to customers on loans are very competitive. From a service perspective, the Bank competes in other areas such as convenience of location, types of services, service costs and banking hours.

EMPLOYEES

As of March 1, 1999, the Company employed 206 full-time equivalent employees. The employees of the Company are not represented by any collective bargaining group. Management of the Company considers relations with its employees to be good.

SUPERVISION AND REGULATION

OVERVIEW

The Company is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and, as such, is subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board" or "FRB"). The Company is required to file quarterly reports of its operations with the FRB.

The Bank, as a Pennsylvania state-chartered non-member financial institution, is subject primarily to supervision, regulation and examination by the Commonwealth of Pennsylvania Department of Banking and by the Federal Deposit Insurance Corporation (the "FDIC"), which insures the Bank's deposits to the maximum extent permitted by law.

BANK HOLDING COMPANY REGULATIONS

As a bank holding company, the Company is permitted to engage in banking-related activities as authorized by the Federal Reserve Board, directly or through newly-formed subsidiaries or by acquiring companies already established in such activities subject to the FRB regulations relating to those activities.

FORWARD LOOKING INFORMATION

This Form 10-K contains forward-looking informational statements, in addition to the historical financial information required by the Securities and Exchange Commission. There are certain risks and uncertainties associated with these forward-looking statements which could cause actual results to differ materially from those stated herein. Such differences are discussed in the section entitled "Management Discussion and Analysis of Financial Condition and Results of Operations". These forward-looking statements reflect management's analysis as of this point in time. Readers should review the other documents the Company periodically files with the Securities and Exchange Commission in order to keep apprised of any material changes.

ITEM 2 PROPERTIES

Thereare nine offices positioned throughout the greater Northeastern Pennsylvania Region. They are located in the South Scranton, East Scranton, Green Ridge, and Central City sections of Scranton, the Borough of Moscow, the Town of Gouldsboro, South Abington Township, the Borough of Mount Pocono and the Borough of East Stroudsburg at Eagle Valley Corners. Through these offices, the Company provides a full range of banking and trust services to the Lackawanna, Wayne, Monroe, Pike and Wyoming County areas. All offices are owned by the Bank or through a wholly owned subsidiary of the Bank, Penseco Realty, Inc., with the exception of the Mount Pocono Office which is owned by the Bank but is located on land occupied under a long-term lease.

The principal office, located at the corner of North Washington Avenue and Spruce Street in the "Central City" of Scranton's business district, houses the operations, trust, marketing, credit card and audit departments as well as the Company's executive offices. Several remote ATM locations are leased by the Bank, which are located throughout Northeastern Pennsylvania. All branches have ATMs, mostly drive-ups. Also, all branches and remote ATM locations are equipped with closed circuit television monitoring.

Additional Bank assets held for sale consist of residential properties in Scranton, Pennsylvania and Buck Hill Falls, Pennsylvania and the Bank's former Green Ridge office located at the corner of East Market Street and Boulevard

Avenue, Scranton, Pennsylvania.

ITEM 3 LEGAL PROCEEDINGS

There are no material pending legal proceedings other than ordinary routine litigation incidental to the business of the Company as to which the Company or subsidiary is a party or of which any of their property is subject.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted by the Company to its shareholders through the solicitation of proxies or otherwise during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

This Annual Report is the Company's annual disclosure statement as required under Section 13 or 15(d) of the Securities Exchange Act of 1934. Questions may be directed to any branch location of the Company or by contacting the Controller's office at:

Patrick Scanlon, Controller
Penseco Financial Services Corporation
150 North Washington Avenue
Scranton, Pennsylvania 18503-1848
1-800-327-0394

Management of the Company is aware of the following securities dealers who make a market in the Company stock:

Baird, Patrick & Company, Inc.	Legg Mason Wood Walker, Inc.
Ferris, Baker, Watts, Inc.	Monroe Securities, Inc.
F.J. Morrissey & Company, Inc.	Ryan, Beck & Company, Inc.
Hopper Soliday & Company, Inc.	Sandler, O'Neill & Partners, LP
Janney Montgomery Scott, Inc.	

The Company's capital stock is traded on the "Over-the-Counter" BULLETIN BOARD under the symbol "PFNS". The following table sets forth the price range together with dividends paid for each of the past two years. These quotations do not necessarily reflect the value of actual transactions.

1998	High	Low	Dividends Paid Per Share
First Quarter	$ 35	$ 28	$ .21
Second Quarter	41	35	.21
Third Quarter	43	39	.21
Fourth Quarter	44	40	.42
			$ 1.05

1997	High	Low	Dividends Paid Per Share
First Quarter	$ 23	$ 22	$ .20
Second Quarter	23	23	.20
Third Quarter	25	23	.20
Fourth Quarter	29	25	.45
			$ 1.05

DIVIDENDS PAID (in millions)	YEAR
$ 2,255	1998
2,256	1997
2,148	1996
2,014	1995
1,745	1994

As of March 1 , 1999 there were approximately 1,014 stockholders of the Company based on the number of recordholders. Reference should be made to the information about the Company's dividend policy and regulatory guidelines on pages 24 and 39.

TRANSFER AGENT
Penseco Financial Services Corporation, 150 North Washington Avenue, Scranton, Pennsylvania 18503-1848. Stockholders' questions should be directed to the Company's corporate headquarters at 570-346-7741.

QUARTERLY FINANCIAL DATA (unaudited)
(in thousands, except per share amounts)

1998	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Interest Income	$ 4,356	$ 4,141	$ 4,283	$ 4,016
Provision for Loan Losses	106	104	75	310
Other Income	1,911	1,340	2,116	1,471
Other Expenses	4,374	3,876	4,632	4,104
Net Income	1,248	1,047	1,180	806
Earnings Per Share	$ .58	$ .49	$ .55	$ .37

1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Interest Income	$ 4,235	$ 4,263	$ 4,382	$ 4,834
Provision for Loan Losses	130	46	63	77
Other Income	1,745	1,196	1,959	1,385
Other Expenses	4,171	3,892	4,278	4,543
Net Income	1,172	1,079	1,376	1,098
Earnings Per Share	$ .55	$ .50	$ .64	$ .51

ITEM 6 SELECTED FINANCIAL DATA

(in thousands, except per share data)
RESULTS OF OPERATIONS:

	1998	1997	1996	1995	1994
Interest Income	$ 29,975	$ 30,099	$ 27,893	$ 27,474	$ 23,907
Interest Expense	13,179	12,385	11,201	11,218	8,832
Net Interest Income	16,796	17,714	16,692	16,256	15,075
Provision for Loan Losses	595	316	334	321	337
Net Interest Income after Provision for Loan Losses	16,201	17,398	16,358	15,935	14,738
Other Income	6,838	6,285	5,952	6,202	6,249
Other Expenses	16,986	16,884	15,733	15,672	15,935
Income Tax	1,772	2,074	1,975	2,009	1,414
Net Income	$ 4,281	$ 4,725	$ 4,602	$ 4,456	$ 3,638
BALANCE SHEET DATA:					
Assets	$ 436,099	$ 427,577	$ 398,035	$ 378,968	$ 363,317
Investment Securities	$ 118,762	$ 125,048	$ 125,263	$ 146,246	$ 160,585
Net Loans	$ 280,389	$ 269,446	$ 237,915	$ 207,708	$ 178,605
Deposits	$ 377,526	$ 374,488	$ 352,026	$ 336,386	$ 326,482
Stockholders' Equity	$ 44,961	$ 42,924	$ 40,585	$ 39,239	$ 32,927
PER SHARE DATA: (1)					
Earnings per Share	$ 1.99	$ 2.20	$ 2.14	$ 2.07	$ 1.69
Dividends per Share	$ 1.05	$ 1.05	$ 1.00	$ .937	$ .812
Book Value per Share	$ 20.93	$ 19.98	$ 18.89	$ 18.27	$ 15.33
Common Shares Outstanding	2,148,000	2,148,000	2,148,000	2,148,000	2,148,000
FINANCIAL RATIOS:					
Net Interest Margin	4.12%	4.51%	4.51%	4.57%	4.51%

Return on Average Assets	.99%	1.14%	1.17%	1.19%	1.02%
Return on Average Equity	9.54%	11.22%	11.54%	11.86%	10.76%
Average Equity to Average Assets	10.38%	10.16%	10.14%	10.01%	9.47%
Dividend Payout Ratio	52.76%	47.73%	46.67%	45.18%	48.01%

(1) Per share data is based on 2,148,000 shares outstanding, giving effect to the common stock reorganization on December 31, 1997.

ITEM 7 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide information to facilitate the understanding and assessment of significant changes and trends related to the financial condition of the Company and the results of its operations. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and notes thereto. All information is presented in thousands of dollars, except as indicated.

SUMMARY

Net earnings for 1998 totalled $4.3 million, a decrease of 8.5% from the $4.7 million earned in 1997, which in turn was an increase of 2.7% from the $4.6 million earned in 1996. Net earnings per share were $1.99 in 1998, compared with $2.20 in 1997 and $2.14 in 1996. Net earnings for 1998 decreased from 1997 results primarily due to a narrowing of the net interest margin based on lower yields on earning assets and increases in funding costs, together with a higher provision for loan losses. Net earnings for 1997 were improved over 1996 results primarily due to an increase in net interest income from better yields on earning assets and higher levels of average earning assets.

NET INCOME (in millions)	YEAR
$ 4,281	1998
4.725	1997
4.602	1996
4.456	1995
3.638	1994

The Company's return on average assets was .99% in 1998 compared to 1.14% in 1997 and 1.17% in 1996. Return on average equity was 9.54%, 11.22% and 11.54% in 1998, 1997 and 1996, respectively.

RETURN ON AVERAGE ASSETS	YEAR
.99%	1998
1.14%	1997
1.17%	1996
1.19%	1995
1.02%	1994

RETURN ON AVERAGE EQUITY	YEAR
9.54%	1998
11.22%	1997
11.54%	1996
11.86%	1995
10.76%	1994

RESULTS OF OPERATIONS

Net Interest Income

The principal component of the Company's earnings is net interest income, which is the difference between interest and fees earned on interest-earning assets and interest paid on deposits and other borrowings.

Net interest income was $16.8 million in 1998, compared with $17.7 million in 1997, a decrease of 5.1%. The decrease in net interest income in 1998 resulted from the Federal Reserve lowering rates throughout the year and local competitive pricing, forcing banks to live with smaller margins.

Net interest income was $17.7 million in 1997, compared with $16.7

million in 1996, an increase of 6.0%. The improvement in net interest income in 1997 resulted from an increase in the loan portfolio of the Company.

Net interest income, when expressed as a percentage of average interest-earning assets, is referred to as net interest margin. The Company's net interest margin for the year ended December 31, 1998 was 4.12% compared with 4.51% for the year ended December 31, 1997, and 4.51% for the year ended December 31, 1996.

NET INTEREST INCOME (in millions)	YEAR
$ 16,796	1998
17,714	1997
16,692	1996
16,256	1995
15,075	1994

Interest income in 1998 totalled $30.0 million, compared to $30.1 million in 1997, remaining essentially unchanged from the prior year. The yield on average interest-earning assets was 7.35% in 1998, compared to 7.66% in 1997. Average interest-earning assets increased in 1998 to $407.8 million from $392.8 million in 1997. Average loans, which are the Company's highest yielding earning assets, increased $23.7 million in 1998, while investment securities and other earning assets decreased on average by $8.7 million. Average loans represented 69.7% of 1998 average interest-earning assets, compared to 66.3% in 1997.

Interest expense also increased in 1998 to $13.2 million from $12.4 million in 1997, an increase of $.8 million or 6.5%. This increase resulted from higher time deposit volume and rate increases. The average rate paid on interest-bearing liabilities during 1998 was 3.95%, compared to 3.86% in 1997.

Interest income in 1997 totalled $30.1 million, compared to $27.9 million in 1996 an increase of $2.2 million or 7.9%. This increase resulted primarily from increased loan volume. The yield on average interest-earning assets was 7.66% in 1997, compared to 7.54% in 1996. Average interest-earning assets increased in 1997 to $392.8 million from $370.0 million in 1996. Average loans increased $29.1 million in 1997, while investment securities and other earning assets decreased on average by $6.3 million. Average loans represented 66.3% of 1997 average interest-earning assets, compared to 62.5% in 1996.

Interest expense increased in 1997 to $12.4 million from $11.2 million in 1996, an increase of $1.2 million or 10.7%. This increase resulted from higher time deposit volume and rate increases. The average rate paid on interest-bearing liabilities during 1997 was 3.86%, compared to 3.72% in 1996.

The most significant impact on net interest income between periods is derived from the interaction of changes in the volume of and rates earned or paid on interest-earning assets and interest-bearing liabilities. The volume of earning dollars in loans and investments, compared to the volume of interest-bearing liabilities represented by deposits and borrowings, combined with the spread, produces the changes in net interest income between periods.

DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY/INTEREST RATES AND INTEREST DIFFERENTIAL

The table below presents average balances, interest income on a fully taxable equivalent basis and interest expense, as well as average rates earned and paid on the Company's major asset and liability items for the years 1998, 1997 and 1996.

<TABLE>
<CAPTION>

	1997			1996			1995		
ASSETS	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yield/ Rate	Average Balance	Revenue/ Expense	Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment Securities									
Available-for-sale:									
U.S. Treasury securities	$ 99,405	$ 6,024	6.06%	$ 113,559	$ 7,092	6.25%	$ 125,114	$ 7,880	6.30%
U.S. Agency obligations	1,250	71	5.68	-	-	-	-	-	-
States & political subdivisions	2,683	89	5.03	-	-	-	-	-	-
Federal Home Loan Bank stock	619	43	6.95	-	-	-	-	-	-
Other	20	1	5.00	20	1	5.00	20	1	5.00
Held-to-maturity:									
U.S. Agency obligations	8,228	505	6.14	11,342	712	6.28	8,401	548	6.52
Loans, net of unearned income:									
Real estate mortgages	221,601	17,642	7.96	204,705	16,734	8.17	179,315	14,190	7.91
Commercial	18,508	1,562	8.44	13,465	1,207	8.96	9,876	884	8.95
Consumer and other	43,931	3,405	7.75	42,205	3,943	9.34	42,080	4,086	9.71

Federal funds sold	9,994	521	5.21	7,535	410	5.44	5,191	304	5.86
Interest on balances with banks	1,565	112	7.16	-	-	-	-	-	-
Total Earning Assets/ Total Interest Income	407,804	$ 29,975	7.35%	392,831	$ 30,099	7.66%	369,997	$ 27,893	7.54%
Cash and due from banks	10,642			9,629			7,985		
Bank premises and equipment	10,532			7,950			6,275		
Accrued interest receivable	3,544			3,573			3,603		
Other assets	2,398			2,988			7,728		
Less: Allowance for loan losses	2,711			2,439			2,230		
Total Assets	$ 432,209			$ 414,532			$ 393,358		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits:									
Demand-Interest bearing	$ 23,371	$ 347	1.48%	$ 23,057	$ 349	1.51%	$ 22,312	$ 366	1.64%
Savings	71,001	1,409	1.98	72,815	1,447	1.99	76,898	1,724	2.24
Money markets	63,489	1,818	2.86	68,437	2,039	2.98	73,626	2,347	3.19
Time - Over $100	39,769	2,165	5.44	30,697	1,616	5.26	19,695	975	4.95
Time - Other	126,737	7,035	5.55	121,201	6,729	5.55	107,019	5,736	5.36
Federal funds purchased	265	11	4.15	278	14	5.04	559	23	4.11
Repurchase agreements	8,051	364	4.52	3,971	161	4.05	100	4	4.00
Short-term borrowings	638	30	4.70	558	30	5.38	497	26	5.23
Total Interest Bearing Liabilities/ Total Interest Expense	333,321	$ 13,179	3.95%	321,014	$ 12,385	3.86%	300,706	$ 11,201	3.72%
Demand - Non-interest bearing	51,159			48,241			46,885		
All other liabilities	2,868			3,154			5,882		
Stockholders' equity	44,861			42,123			39,885		
Total Liabilities and Stockholders' Equity	$ 432,209			$ 414,532			$ 393,358		
Interest Spread			3.40%			3.80%			3.82%
Net Interest Income	$ 16,796			$ 17,714			$ 16,692		
Financial Ratios									
Net interest margin	4.12%			4.51%				4.51%	
Return on average assets	.99%			1.14%				1.17%	
Return on average equity	9.54%			11.22%				11.54%	
Average equity to average assets	10.38%			10.16%				10.14%	
Dividend payout ratio	52.76%			47.73%				46.67%	

DOLLAR AMOUNT OF CHANGE IN INTEREST INCOME AND INTEREST EXPENSE

	1998 compared to 1997	Dollar Amount of Change	Change in Volume	Change in Rate	Change in Rate-Volume
<S>	<C>	<C>	<C>	<C>	<C>
EARNING ASSETS	Investment securities:				
	Available-for-sale:				
	U.S. Treasury securities	$ (1,068)	$ (883)	$ (204)	$ 19
	U.S. Agency obligations	71	-	-	71
	States & political subdivisions	89	-	-	89
	Federal Home Loan Bank stock	43	-	-	43
	Other	-	-	-	-
	Held-to-maturity:				
	U.S. Agency obligations	(207)	(196)	11	(22)
	Loans, net of unearned income:				
	Real estate mortgages	908	1,380	(430)	(42)
	Commercial	355	452	(70)	(27)
	Consumer and other	(538)	161	(671)	(28)
	Federal funds sold	111	134	(17)	(6)
	Interest bearing balances with banks	112	-	-	112
	Total Interest Income	(124)	1,048	(1,381)	209
INTEREST BEARING LIABILITIES	Deposits:				
	Demand - Interest bearing	(2)	5	(7)	-
	Savings	(38)	(36)	(2)	-
	Money markets	(221)	(149)	(82)	10
	Time - Over $100	549	478	52	19
	Time - Other	306	306	-	-
	Federal funds purchased	(3)	(1)	(2)	-
	Repurchase agreements	203	166	18	19
	Short-term borrowings	-	-	-	-

	Total Interest Expense	794	769	(23)	48
	Net Interest Income	$ (918)	$ 279	$ (1,358)	$ 161

	1997 compared to 1996	Dollar Amount of Change	Change in Volume	Change in Rate	Change in Rate-Volume
EARNING ASSETS	Investment securities:				
	U.S. Treasury securities	$ (788)	$ (728)	$ (75)	$ 15
	U.S. Agency obligations	164	192	(20)	(8)
	Other	-	-	-	-
	Loans, net of unearned income:				
	Real estate mortgages	2,544	2,008	532	4
	Commercial	323	321	2	-
	Consumer and other	(143)	12	(156)	1
	Federal funds sold	106	137	(22)	(9)
	Total Interest Income	2,206	1,942	261	3
INTEREST BEARING LIABILITIES	Deposits:				
	Demand - Interest bearing	(17)	12	(29)	-
	Savings	(277)	(91)	(192)	6
	Money markets	(308)	(166)	(155)	13
	Time - Over $100	641	545	63	33
	Time - Other	993	760	203	30
	Federal funds purchased	(9)	(12)	5	(2)
	Repurchase agreements	157	160	-	(3)
	Short-term borrowings	4	4	-	-
	Total Interest Expense	1,184	1,212	(105)	77
	Net Interest Income	$ 1,022	$ 730	$ 366	$ (74)

</TABLE>

PROVISION FOR LOAN LOSSES

The provision for loan losses represents management's determination of the amount necessary to bring the allowance for loan losses to a level that management considers adequate to reflect the risk of future losses inherent in the Company's loan portfolio. The process of determining the adequacy of the allowance is necessarily judgmental and subject to changes in external conditions. Accordingly, there can be no assurance that existing levels of the allowance will ultimately prove adequate to cover actual loan losses.

OTHER INCOME

The following table sets forth information by category of other income for the Company for the past three years:

Years Ended December 31,	1998	1997	1996
Trust department income	$ 1,001	$ 858	$ 730
Service charges on deposit accounts	657	648	664
Merchant transaction income	4,500	4,083	4,043
Other fee income	539	602	438
Other operating income	141	94	77
Realized gains on securities, net	-	-	-
Total Other Income	$ 6,838	$ 6,285	$ 5,952

Total other income increased $553 during 1998. Most of the increase came from new trust business which was up $143 from 1997, a 16.7% increase. Also, there was a strong improvement in our merchant transaction income of $417 or 10.2% due to an increase in our customer base and increased business with our existing customers. Total other income increased $333 during 1997. Most of the increase came from new trust business which was up $128 from 1996, a 17.5% increase. Also, there was a slight improvement in our merchant transaction income of $40 due to an increase in our customer base and increased business with our existing customers.

Total other income increased $333 during 1997. Most of the increase came from new trust business which was up $128 from 1996, a 17.5% increase. Also, there was a slight improvement in our merchant transaction income of $40 due to an increase in our customer base and increased business with our existing customers.

OTHER EXPENSES

The following table sets forth information by category of other expenses for the Company for the past three years:

Years Ended December 31,	1998	1997	1996
Salaries and employee benefits	$ 7,331	$ 7,578	$ 6,860
Occupancy expenses, net	1,274	1,278	1,221
Furniture and equipment expenses	908	850	806
FDIC assessments	45	44	2
Merchant transaction expenses	3,764	3,365	3,412
Other operating expenses	3,664	3,769	3,432
Total Other Expenses	$ 16,986	$ 16,884	$ 15,733

Salaries and employee benefits decreased by $247 or 3.3% in 1998 from 1997 and increased by $718 or 10.4% in 1997 from 1996. The Company employed 209 people on a full-time equivalent basis at December 31, 1998, compared with 202 at December 31, 1997 and 197 at December 31, 1996. The salary and benefits expense in 1998 reflects cost of living increases granted to employees, offset by a lower cost of employee benefits. The salary and benefits expense increase in 1997 was due to significantly higher health care coverage provided by the Company to its employees, merit increases, and staff additions.

Occupancy expenses, furniture and equipment, and FDIC assessment expenses were not significantly different during the years 1998, 1997 and 1996. However, the Company did incur additional expense in its merchant transaction business in 1998 due to additional growth. Other operating expenses increased in 1997 primarily due to costs associated with foreclosed properties.

INCOME TAXES

Federal income tax expense amounted to $1,772 in 1998 compared to $2,074 recorded in 1997. The $302 decrease in the Company's tax provision was due to lower taxable income. The Company's effective income tax rate for 1998 was 29.3% compared to 30.5% for 1997. In 1997, income tax expense increased $99 from $1,975 in 1996 due to an increase in pre-tax income. The effective income tax rate for 1997 was 30.5% compared to 30.0% for 1996.

For further discussion pertaining to Federal income taxes, see Note 13 to the Consolidated Financial Statements.

FINANCIAL CONDITION

Total assets increased $8.5 million or 2.0% during 1998 and amounted to $436.1 million at December 31, 1998 compared to $427.6 million at December 31, 1997. Also, for the year ended December 31, 1997 total assets increased $29.6 million to $427.6 million or a 7.4% increase over $398.0 million at December 31, 1996.

ASSETS (in millions)	YEAR
$ 436,099	1998
427,577	1997
398,035	1996
378,968	1995
363,317	1994

INVESTMENT PORTFOLIO

The Company maintains a portfolio of investment securities to provide income and serve as a source of liquidity for its ongoing operations.

The following table presents the carrying value by security type for the Company's investment portfolio.

December 31,	1998	1997	1996
U.S.Treasury securities	$ 81,916	$ 114,922	$ 112,904
U.S. Agency obligations	11,402	10,106	12,339
State & political subdivisions	23,634	-	-
Other securities	1,810	20	20

Total Investment Securities	$ 118,762	$ 125,048	$ 125,263

LOAN PORTFOLIO

Details regarding the Company's loan portfolio for the past five years are as follows:

<TABLE>
<CAPTION>

December 31,	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Real estate - construction and land development	$ 4,152	$ 3,731	$ 3,770	$ 4,042	$ 4,174
Real estate mortgages	221,879	213,128	184,577	161,217	137,947
Commercial	18,169	17,173	13,476	11,770	10,136
Credit card and related plans	2,286	2,293	2,298	2,404	2,520
Installment	28,538	26,811	26,667	20,663	17,796
Obligations of states & political subdivisions	8,195	8,910	9,427	9,712	8,132
Loans, net of unearned income	283,219	272,046	240,215	209,808	180,705
Less: Allowance for loan losses	2,830	2,600	2,300	2,100	2,100
Loans, net	$ 280,389	$ 269,446	$ 237,915	$ 207,708	$ 178,605

</TABLE>

LOANS

Total net loans increased $11.0 million to $280.4 million at December 31, 1998 from $269.4 million at December 31, 1997, an increase of 4.1%. Total net loans increased $31.5 million to $269.4 million at December 31, 1997 from $237.9 million at December 31, 1996, an increase of 13.2%. The increase in both years is due to continued growth in the Company's real estate, commercial and installment loan portfolios.

NET LOANS (in millions)	YEAR
$ 280,389	
269,446	1997
237,915	1996
207,708	1995
178,605	1994

Loan Quality

The lending activities of the Company are guided by the basic lending policy established by the Board of Directors. Loans must meet criteria which include consideration of the character, capacity and capital of the borrower, collateral provided for the loan, and prevailing economic conditions.

Regardless of credit standards, there is risk of loss inherent in every loan portfolio. The allowance for loan losses is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of the loans. The evaluations take into consideration such factors as change in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, industry experience, collateral value and current economic conditions that may affect the borrower's ability to pay. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment of information available to them at the time of their examination.

The allowance for loan losses is increased by periodic charges against earnings as a provision for loan losses, and decreased periodically by charge-offs of loans (or parts of loans) management has determined to be uncollectible, net of actual recoveries on loans previously charged-off.

NON-PERFORMING ASSETS

Non-performing assets consist of non-accrual loans, loans past due 90 days or more and still accruing interest and other real estate owned. The following table sets forth information regarding non-performing assets as of the dates indicated:

December 31,	1998	1997	1996	1995	1994
Non-accrual loans	$ 929	$ 1,031	$ 866	$ 940	$ 1,435
Loans past due 90 days or more and accruing:					
Guaranteed student loans	348	343	342	166	187
Credit card and home equity loans	27	98	93	133	101
Total non-performing loans	1,304	1,472	1,301	1,239	1,723
Other real estate owned	111	339	610	306	496
Total non-performing assets	$ 1,415	$ 1,811	$ 1,911	$ 1,545	$ 2,219

Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or when payment in full is not anticipated. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is charged against current income. Loans are returned to accrual status when past due interest is collected and the collection of principal is probable.

Loans on which the accrual of interest has been discontinued or reduced amounted to $929, $1,031 and $866 at December 31, 1998, 1997 and 1996, respectively. If interest on those loans had been accrued, such income would have been $108, $89 and $66 for 1998, 1997 and 1996, respectively. Interest income on those loans, which is recorded only when received, amounted to $30, $35 and $45 for 1998, 1997 and 1996, respectively. There are no commitments to lend additional funds to individuals whose loans are on non-accrual status.

The management process for evaluating the adequacy of the allowance for loan losses includes reviewing each month's loan committee reports which list all loans that do not meet certain internally developed criteria as to collateral adequacy, payment performance, economic conditions and overall credit risk. These reports also address the current status and actions in process on each listed loan. From this information, adjustments are made to the allowance for loan losses. Such adjustments include both specific loss allocation amounts and general provisions by loan category based on present and past collection experience, nature and volume of the loan portfolio, overall portfolio quality, and current economic conditions that may affect the borrower's ability to pay.

As of December 31, 1998, there are no significant loans as to which management has serious doubt about their ability to continue to perform in accordance with their contractual terms. At December 31, 1998, 1997 and 1996, the Company did not have any loans specifically classified as impaired.

Most of the Company's lending activity is with customers located in the Company's geographic market area and repayment thereof is affected by economic conditions in this market area.

The following tables present the Company's loan loss experience during the periods indicated:

Years Ended December 31,	1998	1997	1996	1995	1994
Balance at beginning of year	$ 2,600	$ 2,300	$ 2,100	$ 2,100	$ 2,100
Charge-offs:					
Real estate mortgages	69	38	87	300	341
Commercial (time and demand) and all others	252	-	-	11	-
Credit card and related plans	37	52	64	67	55
Installment loans	25	32	32	3	12
Total charge-offs	383	122	183	381	408
Recoveries:					
Real estate mortgages	1	79	22	2	3
Commercial (time and demand) and all others	-	1	2	1	25
Credit card and related plans	9	17	16	11	18
Installment loans	8	9	9	46	25
Total recoveries	18	106	49	60	71
Net charge-offs	365	16	134	321	337
Provision charged to operations	595	316	334	321	337
Balance at End of Year	$ 2,830	$ 2,600	$ 2,300	$ 2,100	$ 2,100
Ratio of net charge-offs to average loans outstanding	0.13%	0.01%	0.06%	0.17%	0.19%

The allowance for loan losses is allocated as follows:

December 31,	1998 Amount	1998 %1	1997 Amount	1997 %1	1996 Amount	1996 %1	1995 Amount	1995 %1	1994 Amount	1994 %1
Real estate mortgages	$ 1,550	80%	$ 1,350	71%	$ 1,125	71%	$ 1,100	72%	$ 1,100	74%
Commercial (time and demand) and all others	830	9	850	19	875	22	750	23	700	22
Credit card and related plans	150	1	150	1	150	1	150	1	200	2
Personal installment loans	300	10	250	9	150	6	100	4	100	2
Total	$ 2,830	100%	$ 2,600	100%	$ 2,300	100%	$ 2,100	100%	$ 2,100	100%

Note: 1 - Percent of loans in each category to total loans

DEPOSITS

The primary source of funds to support the Company's growth is its deposit base. Company deposits increased $3.0 million to $377.5 million at December 31, 1998 from $374.5 million at December 31, 1997, an increase of .8%. Company deposits increased $22.5 million to $374.5 million at December 31, 1997 from $352.0 million at December 31, 1996, an increase of 6.4%. This growth occurred despite the trend of customers finding alternate repositories for their funds, principally the equity market via mutual funds. Management is responding to the competition for these funds by offering competitively priced or alternative banking products.

The maturities of time deposits of $100,000 or more are as follows:

Three months or less	$ 12,427
Over three months through six months	23,308
Over six months through twelve months	6,512
Over twelve months	3,944
Total	$ 46,191

DEPOSITS (in millions)	YEAR
$ 377,526	1998
374,488	1997
352,026	1996
336,386	1995
326,482	1994

ASSET/LIABILITY MANAGEMENT

The Company's policy is to match its level of rate-sensitive assets and rate-sensitive liabilities within a limited range, thereby reducing its exposure to interest rate fluctuations. While no single measure can completely identify the impact of changes in interest rates on net interest income, one gauge of interest rate-sensitivity is to measure, over a variety of time periods, the differences in the amounts of the Company's rate-sensitive assets and rate-sensitive liabilities. These differences, or "gaps", provide an indication of the extent to which net interest income may be affected by future changes in interest rates. A positive gap exists when rate-sensitive assets exceed rate-sensitive liabilities and indicates that a greater volume of assets than liabilities will reprice during a given period. This mismatch may enhance earnings in a rising interest rate environment and may inhibit earnings when interest rates decline. Conversely, when rate-sensitive liabilities exceed rate-sensitive assets, referred to as a negative gap, it indicates that a greater volume of liabilities than assets may reprice during the period. In this case, a rising interest rate environment may inhibit earnings and declining interest rates may enhance earnings. However, because interest rates for different asset and liability products offered by financial institutions respond differently, the gap is only a general indicator of interest rate sensitivity.

LIQUIDITY

The objective of liquidity management is to maintain a balance between sources and uses of funds in such a way that the cash requirements of customers for loans and deposit withdrawals are met in the most economical manner. Management monitors its liquidity position continuously in relation to trends of loans and deposits for short-term as well as long-term requirements. Liquid assets are monitored on a daily basis to assure maximum utilization. Management also manages its liquidity requirements by maintaining an adequate level of readily marketable assets and access to short-term funding sources.

The Company remains in a highly liquid condition both in the short and long term. Sources of liquidity include the Company's substantial U.S. Treasury bond portfolio, additional deposits, earnings, overnight loans to and from other companies (Federal Funds) and lines of credit at the Federal Reserve Bank. The designation of securities as "Held-To-Maturity" lessens the ability of banks to sell securities so classified, except in regard to certain changes in circumstances or other events that are isolated, nonrecurring and unusual.

CAPITAL RESOURCES

A strong capital position is important to the continued profitability of the Company and promotes depositor and investor confidence. The Company's capital provides a basis for future growth and expansion and also provides additional protection against unexpected losses.

Additional sources of capital would come from retained earnings from the operations of the Company and from the sale of additional common stock. Management has no plans to offer additional common stock at this time.

The Company's total risk-based capital ratio was 18.36% at December 31, 1998. The Company's risk-based capital ratio is more than the 10.00% ratio that Federal regulators use as the "well capitalized" threshold. This is the current criteria which the FDIC uses in determining the lowest insurance rate for deposit insurance. The Company's risk-based capital ratio is more than double the 8.00% limit which determines whether a company is "adequately capitalized". Under these rules, the Company could significantly increase its assets and still comply with these capital requirements without the necessity of increasing its equity capital.

DIVIDEND POLICY

Payment of future dividends will be subject to the discretion of the Board of Directors and will depend upon the earnings of the Company, its financial condition, its capital requirements, its need for funds and other matters as the Board deems appropriate.

Dividends on the Company common stock, if approved by the Board of Directors, are customarily paid on or about March 15, June 15, September 15 and December 15.

STOCKHOLDERS' EQUITY (in millions)	YEAR
$ 44,961	1998
42,924	1997
40,585	1996
39,239	1995
32,927	1994

YEAR 2000 COMPLIANCE (Y2K)

The "Year 2000" (Y2K) issue is the result of computer programs and files being written using a two digit as opposed to a four digit year field. Programs which use two digit year fields in comparing dates, sorting dates or using dates in calculations can result in system failures or significant miscalculations if not corrected.

The Company's formal written Y2K Readiness Plan was developed in early 1998, although much systems and programming work on existing and new systems had been accomplished long before that date. The plan has awareness, assessment, renovation, validation and implementation phases. The Company has completed the awareness and assessment phases of the plan and has nearly completed the renovation, validation and implementation phases.

Most of the Company's software used in conducting its business has been internally developed, although the Company does license a minor portion from third party software vendors. The Company has developed a comprehensive list of all software and hardware in use within the organization, as well as all systems that may be affected by computer chip failures such as heating and lighting systems, elevators, etc.

All mission critical internally developed software has been modified, tested and is in production. As of the end of 1998, our only mission critical vendor supplied system is under modification. It is presently being tested and is expected to be in production by March 31, 1999. Modification, testing and placing in production of all non-mission critical software is expected to be finished by June 30, 1999.

The Company is closely tracking the progress each vendor is making in resolving the problems associated with Y2K. Testing has commenced with third parties such as MasterCard and Visa, MAC ATM Network and Federal Reserve FedLine.

Additionally, the Company has contacted its major borrowers to determine the level of progress each has made in addressing the Y2K problem.

The Company has developed and is continually updating a Y2K Contingency Plan. This Plan is separate and distinct from, but takes into account, the Company's Disaster Recovery Plan. The Y2K Contingency Plan covers two situations. First, it provides for the contingency that despite the conclusion that a system has been remediated, validated and implemented and is Y2K ready, that nevertheless, the system fails (Business Resumption Contingency Plan). Second, it provides for the contingency that the remediation, validation and implementation of any system fails to be accomplished within the time frame specified in our overall schedule for remediation, validation and implementation (Remediation Contingency Plan). To date no remediation, validation or implementation has failed to be accomplished within our overall schedule or within guidelines issued by the Federal regulators which regulate this Company or any of its subsidiaries. Therefore, no Remediation Contingency Plan exists, although, the framework is there to produce such a Plan if it were to become necessary. Extensive Business Resumption Contingency Plans have been generated.

The overall Contingency Plan identifies the Company's core business processes and analyzes the effect of failures of systems on the ability to perform the various business processes. It further identifies those systems which are mission critical - those which the Company cannot do without for more than a day or two, and those that the Company can alternately process on a manual basis or not process at all for a week or two - non-mission critical. For all systems, the Plan identifies how the Company's other systems can be processed without the failing systems and what must be done to bring the failed system up to date when it is repaired.

The Contingency Plan also covers what the Company will do if electricity and/or communications fail. It also provides for coverage of additional funding and cash needs which may arise before and after the century date change and provides for the possible temporary closing of offices due to loss of security systems, electricity, etc.

The responsibility of validating the Contingency Plan lies with the Company's Director of Internal Audit. The scheduled completion date for the Contingency Plan is June 30, 1999, although, it is a document that will be continually updated as systems change in the future.

The estimated cost for resolving the Y2K issues is $120,000, and $80,000 has been spent so far. These costs are, to a large degree, absorbed as ordinary operating expenses as most of the work is being performed by regular Company staff. This concentrated effort has forced the postponement of a number of projects, including, but not limited to, fully implementing the new continuous form laser printer, image processing and Internet access.

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

The Company currently does not enter into derivative financial instruments, which include futures, forwards, interest rate swaps, option contracts and other financial instruments with similar characteristics. However, the Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, financial guarantees and letters of credit. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party up to a stipulated amount and with specified terms and conditions.

Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Company until the instrument is exercised.

The Company's exposure to market risk is reviewed on a regular basis by the Asset/Liability Committee. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximizing income. Management realizes certain risks are inherent and that the goal is to identify and minimize the risks. Tools used by management include the standard GAP report and a recently instituted interest rate shock simulation report. The Company has no market risk sensitive instruments held for trading purposes. It appears the Company's market risk is reasonable at this time.

The following table provides information about the Company's market rate sensitive instruments used for purposes other than trading that are sensitive to changes in interest rates. For loans, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities as well as the Company's historical experience of the impact of interest rate fluctuations on the prepayment of residential and home equity loans and mortgage-backed securities. For core deposits (e.g., DDA, interest checking, savings and money market deposits) that have no contractual maturity, the table presents principal cash flows and, as applicable, related weighted-average interest rates based on the Company's historical experience, management's judgment, and statistical analysis, as applicable, concerning their most likely withdrawal behaviors.

MATURITIES AND SENSITIVITY OF MARKET RISK AS OF DECEMBER 31, 1998

<TABLE>

<CAPTION>

	1999	2000	2001	2002	2003	Thereafter	Non-Rate Sensitive	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS									
Investment securities:									
Fixed interest rate securities:									
U.S. Treasury securities	$ 62,557	$ 19,359	$ -	$ -	$ -	$ -	$ -	$ 81,916	$ 81,916
Yield	6.40%	6.33%	-	-	-	-	-	6.38%	
U.S. Agency obligations	-	-	-	-	4,986	-	-	4,986	4,986
Yield	-	-	-	-	5.71%	-	-	5.71%	
States & political subdivisions	-	1,102	3,465	5,639	4,211	9,217	-	23,634	23,634
Yield	-	5.45%	6.08%	5.82%	5.27%	5.26%	-	5.62%	
Variable interest rate securities:									
U.S. Agency obligations	3,000	3,000	416	-	-	-	-	6,416	6,266
Yield	6.14%	6.14%	6.14%	-	-	-	-	6.14%	
Federal Home Loan Bank stock	-	-	-	-	-	1,790	-	1,790	1,790
Yield	-	-	-	-	-	6.50%	-	6.50%	
Other	-	-	-	-	-	20	-	20	20
Yield	-	-	-	-	-	5.00%	-	5.00%	
Loans, net of unearned income:									
Fixed interest rate loans:									
Real estate mortgages	20,556	14,494	13,545	12,473	11,757	96,556	-	169,381	169,955
Yield	7.88%	7.63%	7.61%	7.57%	7.56%	7.51%	-	7.58%	
Consumer and other	1,734	1,612	1,121	704	597	3,594	-	9,362	9,169
Yield	7.87%	7.64%	7.67%	7.88%	7.62%	7.52%	-	7.66%	
Variable interest rate loans:									
Real estate mortgages	4,934	6,561	6,476	5,671	5,624	27,384	-	56,650	56,650
Yield	8.18%	8.12%	8.09%	8.21%	8.23%	8.15%	-	8.16%	
Commercial	18,169	-	-	-	-	-	-	18,169	18,169
Yield	8.44%	-	-	-	-	-	-	8.44%	
Consumer and other	11,103	3,236	3,255	3,164	3,372	5,527	-	29,657	29,657
Yield	7.89%	8.25%	8.28%	8.33%	8.35%	8.19%	-	8.13%	
Less: Allowance for loan losses	564	259	244	220	213	1,330	-	2,830	
Federal funds sold	6,650	-	-	-	-	-	-	6,650	6,650
Yield	5.21%	-	-	-	-	-	-	5.21%	
Cash and due from banks	-	-	-	-	-	-	12,076	12,076	12,076
Other assets	-	-	-	-	-	-	18,222	18,222	
Total Assets	$ 128,139	$ 49,105	$ 28,034	$ 27,431	$ 30,334	$ 142,758	$ 30,298	$ 436,099	$ 420,938
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits:									
Variable interest rate deposits:									
Demand - Interest bearing	$ -	$ 25,438	$ -	$ -	$ -	$ -	$ -	$ 25,438	$ 25,438
Yield	-	1.48%	-	-	-	-	-	1.48%	
Savings	-	71,771	-	-	-	-	-	71,771	71,771
Yield	-	1.98%	-	-	-	-	-	1.98%	
Money markets	56,707	-	-	-	-	-	-	56,707	56,707
Yield	2.86%	-	-	-	-	-	-	2.86%	
Time - Other	13,657	-	-	-	-	-	-	13,657	13,657
Yield	5.32%	-	-	-	-	-	-	5.32%	
Fixed interest rate deposits:									
Time - Over $100,000	42,246	2,469	970	206	300	-	-	46,191	46,418
Yield	5.45%	5.82%	6.49%	5.99%	6.00%	-	-	5.50%	
Time - Other	96,321	7,100	1,807	1,457	669	10	109	107,473	108,013
Yield	5.24%	5.45%	5.47%	5.90%	5.36%	5.39%	-	5.27%	
Demand - Non-interest bearing	-	-	-	-	-	-	56,289	56,289	56,289
Repurchase agreements	10,959	-	-	-	-	-	-	10,959	10,959
Yield	4.52%	-	-	-	-	-	-	4.52%	
Other liabilities	-	-	-	-	-	-	2,653	2,653	
Stockholders' equity	-	-	-	-	-	-	44,961	44,961	
Total Liabilities and									

Stockholders' Equity	$ 219,890	$ 106,778	$ 2,777	$ 1,663	$ 969	$ 10	$ 104,012	$ 436,099	$ 389,252
Excess of (liabilities) assets subject to interest rate change	$ (91,751)	$ (57,673)	$ 25,257	$ 25,768	$ 29,365	$ 142,748	$ (73,714)	$ -	

</TABLE>

ITEM 8 Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	December 31,	1998	1997
ASSETS	Cash and due from banks	$ 12,076	$ 10,928
	Federal funds sold	6,650	7,650
	Cash and Cash Equivalents	18,726	18,578
	Investment securities:		
	Available-for-sale, at fair value	112,346	114,942
	Held-to-maturity (fair value of $6,266 and $10,102, respectively)	6,416	10,106
	Total Investment Securities	118,762	125,048
	Loans, net of unearned income	283,219	272,046
	Less: Allowance for loan losses	2,830	2,600
	Loans, Net	280,389	269,446
	Bank premises and equipment	12,631	8,646
	Other real estate owned	111	339
	Accrued interest receivable	3,234	3,895
	Other assets	2,246	1,625
	Total Assets	$ 436,099	$ 427,577
LIABILITIES	Deposits:		
	Non-interest bearing	$ 56,398	$ 46,127
	Interest bearing	321,128	328,361
	Total Deposits	377,526	374,488
	Other borrowed funds:		
	Repurchase agreements	10,959	5,922
	Short-term borrowings	-	893
	Accrued interest payable	2,039	2,524
	Other liabilities	614	826
	Total Liabilities	391,138	384,653
STOCKHOLDER'S EQUITY	Common stock, $.01 par value, 15,000,000 shares authorized, 2,148,000 shares issued and outstanding	21	21
	Surplus	10,819	10,819
	Retained earnings	33,688	31,662
	Accumulated other comprehensive income	433	422
	Total Stockholders' Equity	44,961	42,924
	Total Liabilities and Stockholders' Equity	$ 436,099	$ 427,577

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Years Ended December 31,	1998	1997	1996
INTEREST INCOME	Interest and fees on loans	$ 22,609	$ 21,884	$ 19,160
	Interest and dividends on investments:			

	U.S. Treasury securities and U.S. Agency obligations	6,600	7,804	8,428
	States & political subdivisions	89	-	-
	Other securities	44	1	1
	Interest on Federal funds sold	521	410	304
	Interest on balances with banks	112	-	-
	Total Interest Income	29,975	30,099	27,893
INTEREST EXPENSE	Interest on time deposits of $100,000 or more	2,165	1,616	975
	Interest on other deposits	10,609	10,564	10,173
	Interest on other borrowed funds	405	205	53
	Total Interest Expense	13,179	12,385	11,201
	Net Interest Income	16,796	17,714	16,692
	Provision for loan losses	595	316	334
	Net Interest Income After Provision for Loan Losses	16,201	17,398	16,358
OTHER INCOME	Trust department income	1,001	858	730
	Service charges on deposit accounts	657	648	664
	Merchant transaction income	4,500	4,083	4,043
	Other fee income	539	602	438
	Other operating income	141	94	77
	Realized gains on securities, net	-	-	-
	Total Other Income	6,838	6,285	5,952
OTHER EXPENSES	Salaries and employee benefits	7,331	7,578	6,860
	Occupancy expenses, net	1,274	1,278	1,221
	Furniture and equipment expenses	908	850	806
	FDIC assessments	45	44	2
	Merchant transaction expenses	3,764	3,365	3,412
	Other operating expenses	3,664	3,769	3,432
	Total Other Expenses	16,986	16,884	15,733
NET INCOME	Income before income taxes	6,053	6,799	6,577
	Applicable income taxes	1,772	2,074	1,975
	Net Income	$ 4,281	$ 4,725	$ 4,602
	Earnings Per Share	$ 1.99	$ 2.20	$ 2.14

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 1998, 1997 and 1996

(in thousands, except per share data)
<TABLE>

<CAPTION>

(in thousands except per share data)	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$ 21	$ 10,819	$ 26,739	$ 1,660	$ 39,239
Comprehensive income:					
Net income, 1996	-	-	4,602	-	4,602
Unrealized losses on securities, net of taxes of $571	-	-	-	(1,108)	(1,108)
Comprehensive income					3,494
Cash dividends declared ($1.00 per share)	-	-	(2,148)	-	(2,148)

Balance, December 31, 1996	21	10,819	29,193	552	40,585
Comprehensive income:					
Net income, 1997	-	-	4,725	-	4,725
Unrealized losses on securities, net of taxes of $67	-	-	-	(130)	(130)
Comprehensive income					4,595
Cash dividends declared ($1.05 per share)	-	-	(2,256)	-	(2,256)
Balance, December 31, 1997	21	10,819	31,662	422	42,924
Comprehensive income:					
Net income, 1998	-	-	4,281	-	4,281
Unrealized gains on securities, net of taxes of $6	-	-	-	11	11
Comprehensive income					4,292
Cash dividends declared ($1.05 per share)	-	-	(2,255)	-	(2,255)
Balance, December 31, 1998	$ 21	$ 10,819	$ 33,688	$ 433	$ 44,961

</TABLE>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(in thousands)	Years Ended December 31,	1998	1997	1996
<S>		<C>	<C>	<C>
OPERATING ACTIVITIES	Net Income	$ 4,281	$ 4,725	$ 4,602
	Adjustments to reconcile net income to net cash provided by operating activities:			
	Depreciation	1,005	972	929
	Provision for loan losses	595	316	334
	Deferred income tax (benefit) provision	(284)	(8)	17
	Amortization of securities (net of accretion)	232	296	510
	Net realized gains on securities	-	-	-
	Loss on other real estate	41	176	52
	Decrease (increase) in interest receivable	661	(387)	885
	(Increase) decrease in other assets	(475)	(136)	98
	(Decrease) increase in income taxes payable	(182)	51	65
	(Decrease) increase in interest payable	(485)	523	105
	Increase (decrease) in other liabilities	102	(105)	172
	Net cash provided by operating activities	5,491	6,423	7,769
INVESTING ACTIVITIES	Purchase of investment securities available-for-sale	(53,579)	(48,472)	(14,793)
	Proceeds from maturities of investment securities available-for-sale	56,000	46,000	37,000
	Purchase of investment securities to be held-to-maturity	-	-	(5,002)
	Proceeds from repayments of investment securities to be held-to-maturity	3,650	2,194	1,590
	Net loans originated	(11,664)	(32,274)	(31,040)
	Proceeds from other real estate	313	523	143
	Investment in premises and equipment	(4,990)	(3,196)	(1,163)
	Net cash used in investing activities	(10,270)	(35,225)	(13,265)
FINANCING ACTIVITIES	Net increase (decrease) in demand and savings deposits	6,236	(12,393)	(647)
	Net (payments) proceeds on time deposits	(3,198)	34,855	16,287
	Increase in repurchase agreements	5,037	3,925	1,997
	Net (decrease) increase in short-term borrowings	(893)	422	295
	Cash dividends paid	(2,255)	(2,256)	(2,148)
	Net cash provided by financing activities	4,927	24,553	15,784

Net increase (decrease) in cash and cash equivalents	148	(4,249)	10,288
Cash and cash equivalents at January 1	18,578	22,827	12,539
Cash and cash equivalents at December 31	$ 18,726	$ 18,578	$ 22,827

</TABLE>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

GENERAL NOTES TO FINANCIAL STATEMENTS

1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Penseco Financial Services Corporation (Company) is a bank holding company, incorporated under the laws of Pennsylvania. It is the parent company of Penn Security Bank and Trust Company (Bank), a state chartered bank.

The Company operates from nine banking offices under a state bank charter and provides full banking services, including trust services, to individual and corporate customers primarily in Northeastern Pennsylvania. The Company's primary deposit products are savings and demand deposit accounts and certificates of deposit. Its primary lending products are real estate, commercial and consumer loans.

The Company's revenues are attributable to a single reportable segment, therefore segment information is not presented.

The accounting policies of the Company conform with generally accepted accounting principles and with general practices within the banking industry.

BASIS OF PRESENTATION

The Financial Statements of the Company have been consolidated with those of its wholly owned subsidiary, Penn Security Bank and Trust Company, eliminating all intercompany items and transactions.

On December 31, 1997, the Bank was reorganized into a holding company structure. Each outstanding share of the Bank's common stock, par value of $10.00 per share, was exchanged for four shares of Penseco Financial Services Corporation common stock, par value of $.01 per share. As a result of the reorganization, the Bank became a wholly-owned subsidiary of the Company.

This reorganization among entities under common control was accounted for at historical cost in a manner similar to a pooling of interests. Prior financial statements have been restated to reflect the transaction.

The Statements are presented on the accrual basis of accounting, except for Trust Department income which is recorded when payment is received.

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130) which was issued in June 1997. SFAS 130 established new rules for the reporting and display of comprehensive income and its components, but had no effect on the Company's net income or total stockholders' equity. SFAS 130 requires unrealized gains and losses on the Company's available-for-sale securities, which prior to adoption were reported separately in stockholders' equity, to be included in comprehensive income. Prior years financial statements have been reclassified to conform to the requirements of SFAS 130.

All information is presented in thousands of dollars, except per share data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties.

INVESTMENT SECURITIES

Investments in securities are classified in two categories and accounted for as follows:

Securities Held-to-Maturity.

Bonds, notes, debentures and mortgage-backed securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts computed on the straight-line basis over the period to maturity, which approximates the interest method.

Securities Available-for-Sale.

Bonds, notes, debentures and certain equity securities not classified as securities to be held to maturity are carried at fair value with unrealized holding gains and losses, net of tax, reported as a net amount in a separate component of stockholders' equity until realized.

Gains and losses on the sale of securities available-for-sale are determined using the specific identification method and are reported as a separate component of other income in the Statements of Income.

The Company has no derivative financial instruments required to be disclosed under SFAS No. 119.

LOANS AND PROVISION (ALLOWANCE) FOR POSSIBLE LOAN

Losses Loans are stated at the principal amount outstanding, net of any unearned income, deferred loan fees and the allowance for loan losses. Interest on discounted loans is generally recognized as income based on methods that approximate the interest method. For all other loans, interest is accrued daily on the outstanding balances.

Loans are generally placed on a nonaccrual status when principal or interest is past due 90 days or when payment in full is not anticipated. When a loan is placed on nonaccrual status, all interest previously accrued but not collected is charged against current income. Loans are returned to accrual status when past due interest is collected and the collection of principal is probable.

The provision for loan losses is based on past loan loss experience, management's evaluation of the potential loss in the current loan portfolio under current economic conditions and such other factors as, in management's best judgement, deserve current recognition in estimating loan losses. The annual provision for loan losses charged to operating expense is that amount which is sufficient to bring the balance of the allowance for possible loan losses to an adequate level to absorb anticipated losses.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation. Provision for depreciation and amortization, computed principally on the straight-line method, is charged to operating expenses over the estimated useful lives of the assets. Maintenance and repairs are charged to current expense as incurred.

LONG-LIVED ASSETS

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable, as prescribed in Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121).

PENSION EXPENSE

Pension expense has been determined in accordance with Statement of Financial Accounting Standards No. 87, "Employers Accounting for Pensions" (SFAS 87).

POSTRETIREMENT BENEFITS EXPENSE

Postretirement benefits expense has been determined in accordance with Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106).

INCOME TAXES

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) as well as deferred taxes on temporary differences, between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the Financial Statements. Deferred tax assets and liabilities are included in the Financial Statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

CASH FLOWS

For purposes of the Statements of Cash Flows, cash and cash equivalents include cash on hand, due from banks, interest bearing balances with banks and Federal funds sold for a one-day period.

The Company paid interest and income taxes during the years ended December 31, 1998, 1997 and 1996 as follows:

	1998	1997	1996
Income taxes paid	$ 2,238	$ 1,985	$ 1,935
Interest paid	$ 13,664	$ 11,861	$11,097

Non-cash transactions during the years ended December 31, 1998, 1997 and 1996, comprised entirely of the net acquisition of real estate in the settlement of loans, amounted to $126, $427, and $498, respectively.

TRUST ASSETS AND INCOME

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the Financial Statements since such items are not assets of the Company. Trust income is reported on the cash basis and is not materially different than if it were reported on the accrual basis.

EARNINGS PER SHARE

Basic earnings per share is computed on the weighted average number of common shares outstanding during each year (2,148,000) as prescribed in Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). A calculation of diluted earnings per share is not applicable to the Company.

PENDING ACCOUNTING PRONOUNCEMENTS

Management does not believe that any pending accounting pronouncements will have a material impact on the Consolidated Financial Statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 1998 presentation.

2 CASH AND DUE FROM BANKS

Cash and due from banks are summarized as follows:

December 31,	1998	1997
Cash items in process of collection	$ 66	$ 1,796
Non-interest bearing deposits	6,982	4,131
Interest bearing deposits with banks	345	-
Cash on hand	4,683	5,001
Total	$ 12,076	$ 10,928

3 INVESTMENT SECURITIES

The amortized cost and fair value of investment securities at December 31, 1998 and 1997 are as follows:

AVAILABLE-FOR-SALE

1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 81,210	$ 706	$ -	$ 81,916
U.S. Agency securities	5,000	-	14	4,986
States & political subdivisions	23,669	15	50	23,634
Total Debt Securities	109,879	721	64	110,536
Equity securities	1,810	-	-	1,810
Total Available -				

for-Sale	$ 111,689	$ 721	$ 64	$ 112,346

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 114,283	$ 639	$ -	$ 114,922
Equity securities	20	-	-	20
Total Available-for-Sale	$ 114,303	$ 639	$ -	$ 114,942

There were no sales of available-for-sale debt securities in 1998, 1997 and 1996.

HELD-TO-MATURITY

1998	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Agencies:				
Mortgage-backed securities	$ 6,416	$ -	$ 150	$ 6,266
Total Held-to-Maturity	$ 6,416	$ -	$ 150	$ 6,266

1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. Agencies:				
Mortgage-backed securities	$ 10,106	$ 3	$ 7	$ 10,102
Total Held-to-Maturity	$ 10,106	$ 3	$ 7	$ 10,102

Investment securities with amortized costs and fair values of $56,194 and $56,697 at December 31, 1998 and $56,026 and $56,381 at December 31, 1997, were pledged to secure trust funds, public deposits and for other purposes as required by law.

The amortized cost and fair value of debt securities at December 31, 1998 by contractual maturity, are shown in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less:				
U.S. Treasury securities	$ 62,124	$ 62,557	$ -	$ -
After one year through five years:				
U.S. Treasury securities	19,086	19,359	-	-
U.S. Agency securities	5,000	4,986	-	-
States & political subdivisions	14,409	14,417	-	-
After five years through ten years:				

States & political subdivisions	7,721	7,693	-	-
After ten years:				
States & political subdivisions	1,539	1,524	-	-
Subtotal	109,879	110,536	-	-
Mortgage-backed securities	-	-	6,416	6,266
Total Debt Securities	$ 109,879	$ 110,536	$ 6,416	$ 6,266

4 LOANS

Major classifications of loans are as follows:

December 31,	1998	1997
Loans secured by real estate:		
Construction and land development	$ 4,152	$ 3,731
Secured by farmland	5	7
Secured by 1-4 family residential properties:		
Revolving, open-end loans	7,901	9,932
Secured by first liens	131,564	131,112
Secured by junior liens	33,063	26,620
Secured by multi-family properties	829	561
Secured by non-farm, non-residential properties	48,517	44,896
Commercial and industrial loans to U.S. addressees	18,169	17,173
Loans to individuals for household, family and other personal expenditures:		
Credit card and related plans	2,286	2,293
Other (installment and student loans, etc.)	28,486	26,593
Obligations of states & political subdivisions	8,195	8,910
All other loans	58	240
Gross Loans	283,225	272,068
Less: Unearned income on loans	6	22
Loans, Net of Unearned Income	$ 283,219	$ 272,046

Loans on which the accrual of interest has been discontinued or reduced amounted to $929, $1,031 and $866 at December 31, 1998, 1997 and 1996, respectively. If interest on those loans had been accrued, such income would have been $108, $89 and $66 for 1998, 1997 and 1996, respectively. Interest income on those loans, which is recorded only when received, amounted to $30, $35 and $45 for 1998, 1997 and 1996, respectively. Also, at December 31, 1998 and 1997, the Bank had loans totalling $375 and $441, respectively, which were past due 90 days or more and still accruing interest (credit card, home equity and guaranteed student loans).

5 ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses are as follows:

Years Ended December 31,	1998	1997	1996
Balance at beginning of year	$ 2,600	$ 2,300	$ 2,100
Provision charged to operations	595	316	334
Recoveries credited to allowance	18	106	49
	3,213	2,722	2,483
Losses charged to allowance	(383)	(122)	(183)
Balance at End of Year	$ 2,830	$ 2,600	$ 2,300

A comparison of the provision for loan losses for Financial Statement purposes with the allowable bad debt deduction for tax purposes is as follows:

Years Ended December 31,	Book Provision	Tax Deduction
1998	$ 595	$ 365
1997	$ 316	$ 16
1996	$ 334	$ 134

The balance of the Reserve for Bad Debts as reported for Federal income tax purposes was $948 at December 31, 1998, 1997 and 1996.

6 BANK PREMISES AND EQUIPMENT

December 31,	1998	1997
Land	$ 2,929	$ 2,764
Buildings and improvements	14,178	10,853
Furniture and equipment	9,634	8,134
	26,741	21,751
Less: Accumulated depreciation	14,110	13,105
Net Bank Premises and Equipment	$ 12,631	$ 8,646

Buildings and improvements are being depreciated over 10 to 50 year periods and equipment over 3 to 10 year periods. Depreciation expense amounted to $1,005 in 1998, $972 in 1997 and $929 in 1996.

Occupancy expenses were reduced by rental income received in the amount of $58, $58 and $60 in the years ended December 31, 1998, 1997 and 1996, respectively.

7 OTHER REAL ESTATE OWNED

Real estate acquired through foreclosure is recorded at the lower of cost or market at the time of acquisition. Any subsequent write-downs are charged against operating expenses. The other real estate owned as of December 31, 1998 and 1997 was $111 and $339, respectively, supported by appraisals of the real estate involved.

8 INVESTMENT IN AND LOAN TO, INCOME FROM DIVIDENDS AND EQUITY IN EARNINGS OR LOSSES OF SUBSIDIARY

Penseco Realty, Inc. is a wholly owned subsidiary of the Bank which owns certain banking premises. Selected financial information is presented below:

	Percent of voting stock owned	Total investment and loan	Equity in underlying net assets at balance sheet date	Amount of dividends	Bank's proportionate part of loss for the period
1998	100%	$ 3,950	$ 3,936	None	$ -
1997	100%	$ 3,950	$ 3,936	None	$ -
1996	100%	$ 2,055	$ 2,041	None	$ -

9 DEPOSITS

December 31,	1998	1997
Demand - Non-interest bearing	$ 56,289	$ 46,127
Demand - Interest bearing	25,438	23,826
Savings	71,771	71,722
Money markets	56,707	63,055
Time - Over $100,000	46,191	38,152
Time - Other	121,130	131,606
Total	$ 377,526	$ 374,488

9 DEPOSITS (continued)

Scheduled maturities of time deposits are as follows:

1999	$ 152,333
2000	9,569
2001	2,777
2002	1,663
2003	969

2004 and thereafter	10
Total	$ 167,321

10 OTHER BORROWED FUNDS

At December 31, 1998 and 1997, other borrowed funds consisted of demand notes to the U.S. Treasury and Repurchase Agreements.

Short-term borrowings generally have original maturity dates of thirty days or less.

Investment securities with amortized costs of $13,069 and $7,987 and fair values of $13,200 and $8,023 were pledged to secure repurchase agreements at December 31, 1998 and 1997, respectively.

Years Ended December 31,	1998	1997
Amount outstanding at year end	$ 10,959	$ 6,815
Average interest rate at year end	4.37%	4.57%
Maximum amount outstanding at any month end	$ 12,382	$ 6,815
Average amount outstanding	$ 8,849	$ 4,807
Weighted average interest rate during the year:		
Federal funds purchased	4.15%	5.04%
Repurchase agreements	4.52%	4.05%
Demand notes to U.S. Treasury	4.70%	5.38%

The Company has an available credit facility with the Federal Reserve Bank in the amount of $10,000, secured by pledged securities with amortized costs and fair values of $10,002 and $10,044 at December 31, 1998 and $9,971 and $9,919 at December 31, 1997 with an interest rate of 4.50% and 5.00% for 1998 and 1997, respectively. There is no stated expiration date for the credit facility as long as the Company maintains the pledged securities at the Federal Reserve Bank. There was no outstanding balance as of December 31, 1998 and 1997, respectively.

The Company has the availability of a $5,000 overnight Federal funds line of credit with First Union Bank. There was no balance outstanding as of December 31, 1998 and 1997, respectively

The Company maintains a collateralized maximum borrowing capacity of $165,943 with the Federal Home Loan Bank of Pittsburgh (FHLB). There was no balance outstanding or assets pledged as of December 31, 1998.

11 EMPLOYEE BENEFIT PLANS

The Company provides an Employee Stock Ownership Plan (ESOP), a Retirement Profit Sharing Plan, an Employees' Pension Plan and a Postretirement Life Insurance Plan, all non-contributory, covering all eligible employees.

The Company also maintains an unfunded supplemental executive pension plan, that provides certain officers with additional retirement benefits to replace benefits lost due to limits imposed on qualified plans by Federal tax law.

Under the Employee Stock Ownership Plan (ESOP), amounts voted by the Board of Directors are paid into the ESOP and each employee is credited with a share in proportion to their annual compensation. All contributions to the ESOP are invested in or will be invested primarily in Company stock. Distribution of a participant's ESOP account occurs upon retirement, death or termination in accordance with the plan provisions.

At December 31, 1998 and 1997, the ESOP held 94,725 and 92,448 shares, respectively of the Company's stock, all of which were acquired as described above and allocated to specific participant accounts. These shares are treated the same for dividend purposes and earnings per share calculations as are any other outstanding shares of the Company's stock. The Company contributed $0, $140 and $140 to the plan during the years ended December 31, 1998, 1997 and 1996, respectively.

Under the Retirement Profit Sharing Plan, amounts voted by the Board of Directors are paid into a fund and each employee is credited with a share in proportion to their annual compensation. Upon retirement, death or termination, each employee is paid the total amount of their credits in the fund in one of a number of optional ways in accordance with the plan provisions. The Company contributed $20, $0 and $0 to the plan during the years ended December 31, 1998, 1997 and 1996, respectively.

Under the Pension Plan, amounts computed on an actuarial basis are paid by the Company into a trust fund. Provision is made for fixed benefits payable for life upon retirement at the age of 65, based on length of service and compensation levels as defined in the plan. Plan assets of the trust fund are invested and administered by the Trust Department of Penn Security Bank and Trust Company.

The postretirement life insurance plan is an unfunded, non-vesting defined benefit plan. The plan is non-contributory and provides for a reducing level of term life insurance coverage following retirement.

In determining the benefit obligation the following assumptions were made:

	Pension Benefits		Other Benefits	
December 31,	1998	1997	1998	1997
Weighted - average assumptions:				
Discount rate	6.50%	6.75%	6.50%	6.75%
Expected return on plan assets	9.00%	9.00%	-	-
Rate of compensation increase	4.50%	4.50%	-	-

A reconciliation of the funded status of the plans with amounts reported on the Balance Sheet is as follows:

	Pension Benefits		Other Benefits	
December 31,	1998	1997	1998	1997
Change in benefit obligation:				
Benefit obligation, beginning	$ 6,764	$ 6,013	$ 48	$ 42
Service cost	295	267	2	2
Interest cost	444	414	3	3
Actuarial gain	206	254	2	2
Benefits paid	(221)	(184)	(2)	(1)
Benefit obligation, ending	7,488	6,764	53	48
Change in plan assets:				
Fair value of plan assets, beginning	6,872	5,967	-	-
Actual return on plan assets	911	850	-	-
Employer contribution	65	239	2	1
Benefits paid	(221)	(184)	(2)	(1)
Fair value of plan assets, ending	7,627	6,872	-	-
Funded status	139	108	(53)	(48)
Unrecognized net transition asset	(198)	(265)	-	-
Unrecognized net actuarial Loss	1,008	1,124	(121)	(131)
Unrecognized prior service cost	(45)	(43)	6	6
Prepaid (accrued) benefit cost	$ 904	$ 924	$ (168)	$ (173)

A reconciliation of net periodic pension and other benefit costs is as follows:

	Pension Benefits		
Years Ended December 31,	1998	1997	1996
Components of net periodic pension cost:			
Service cost	$ 295	$ 267	$ 249
Interest cost	444	414	361
Expected return on plan assets	(615)	(540)	(487)
Amortization of transition asset	(66)	(66)	(66)
Amortization of unrecognized net loss	26	48	61
Net periodic pension cost	$ 84	$ 123	$ 118

	Other Benefits		
Years Ended December 31,	1998	1997	1996
Components of net periodic other benefit cost:			
Service cost	$ 2	$ 2	$ 2

Interest cost	3	3	3
Amortization of prior service cost	1	1	1
Amortization of unrecognized net loss	(9)	(10)	(9)
Net periodic other benefit cost	$ (3)	$ (4)	$ (3)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were $144, $97 and $0, respectively at December 31, 1998 and $153, $77 and $0, respectively at December 31, 1997.

12 INCOME TAXES

The total income taxes in the Statements of Income are as follows:

Years Ended December 31,	1998	1997	1996
Currently payable	$ 2,056	$ 2,082	$ 1,958
Deferred (benefit) provision	(284)	(8)	17
Total	$ 1,772	$ 2,074	$ 1,975

A reconciliation of income taxes at statutory rates to applicable income taxes reported in the Statements of Income is as follows:

Years Ended December 31,	1998	1997	1996
Tax at statutory rate	$ 2,058	$ 2,312	$ 2,236
Reduction for non-taxable interest	(269)	(299)	(256)
Other (reductions) additions	(17)	61	(5)
Applicable Income Taxes	$ 1,772	$ 2,074	$ 1,975

The components of the deferred income tax (benefit) provision, which result from temporary differences, are as follows:

Years Ended December 31,	1998	1997	1996
Accretion of discount on bonds	$ (147)	$ 73	$ 47
Accelerated depreciation	(32)	(54)	(61)
Supplemental benefit plan	(7)	(8)	-
Allowance for loan losses	(78)	(102)	(68)
Prepaid pension cost	(20)	48	47
Loan fees/costs	-	35	52
Total	$ (284)	$ (8)	$ 17

The significant components of deferred tax assets and liabilities are as follows:

December 31,	1998	1997
Deferred tax assets:		
Allowance for loan losses	$ 640	$ 562
Depreciation	131	99
Supplemental Benefit Plan	15	8
Total Deferred Tax Assets	786	669
Deferred tax liabilities:		
Unrealized securities gains	223	217
Prepaid pension costs	352	372
Accretion	65	212
Total Deferred Tax Liabilities	640	801
Net Deferred Tax Asset (Liability)	$ 146	$ (132)

In management's opinion, the deferred tax assets are realizable in as much as there is a history of strong earnings and a carryback potential greater than the deferred tax assets. Management is not aware of any evidence that would preclude the realization of the benefit in the future and, accordingly, has not established a valuation allowance against the deferred tax assets.

13 COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, there are outstanding commitments and contingent liabilities, created under prevailing terms and collateral requirements such as commitments to extend credit, financial guarantees and letters of credit, which are not reflected in the accompanying Financial Statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Balance Sheets.

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk at December 31, 1998 and 1997 are as follows:

	1998	1997
Commitments to extend credit:		
Fixed rate	$ 11,722	$ 12,604
Variable rate	$ 36,990	$ 30,340
Standby letters of credit	$ 614	$ 849

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Various actions and proceedings are presently pending to which the Company is a party. Management is of the opinion that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the financial position of the Company.

The Company may, from time to time, maintain bank balances with other financial institutions in excess of $100,000 each. Management is not aware of any evidence that would indicate that such deposits are at risk.

14 FAIR VALUE DISCLOSURE

GENERAL

Statement of Financial Accounting Standards No.107, "Disclosures about Fair Value of Financial Instruments" (SFAS 107), requires the disclosure of the estimated fair value of on and off - balance sheet financial instruments.

VALUATION METHODS AND ASSUMPTIONS

Estimated fair values have been determined using the best available data, an estimation methodology suitable for each category of financial instruments. For those loans and deposits with floating interest rates it is presumed that estimated fair values generally approximate the carrying amount balances.

Financial instruments actively traded in a secondary market have been valued using quoted available market prices. Those with stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market for similar assets and liabilities. Those liabilities with no stated maturities have an estimated

fair value equal to both the amount payable on demand and the carrying amount balance. The net loan portfolio has been valued using a present value discounted cash flow. The discount rate used in these calculations is the current loan rate adjusted for non-interest operating costs, credit loss and assumed prepayment risk. Off balance sheet carrying amounts and fair value of letters of credit represent the deferred income fees arising from those unrecognized financial instruments.

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

All assets and liabilities which are not considered financial instruments have not been valued differently than has been customary with historical cost accounting.

Management is concerned that reasonable comparability between companies may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

	December 31, 1998		December 31, 1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and due from banks	$ 12,076	$ 12,076	$ 10,928	$ 10,928
Federal funds sold	6,650	6,650	7,650	7,650
Cash and cash equivalents	18,726	18,726	18,578	18,578
Investment Securities:				
Available-for-sale:				
U.S. Treasury securities	81,916	81,916	114,922	114,922
U.S. Agency obligations	4,986	4,986	-	-
States & political subdivisions	23,634	23,634	-	-
Federal Home Loan Bank stock	1,790	1,790	-	-
Other securities	20	20	20	20
Held-to-maturity:				
U.S. Agency obligations	6,416	6,266	10,106	10,102
Total investment securities	118,762	118,612	125,048	125,044
Loans, net of unearned income:				
Real estate mortgages	226,031	226,605	194,389	194,757
Commercial	18,169	18,169	26,841	26,841
Consumer and other	39,019	38,826	50,816	50,652
Less: Allowance for loan losses	2,830		2,600	
Loans, net	280,389	283,600	269,446	272,250
Total Financial Assets	417,877	$ 420,938	413,072	$ 415,872
Other assets	18,222		14,505	
Total Assets	$ 436,099		$ 427,577	
Financial Liabilities:				
Demand - Non-interest bearing	$ 56,289	$ 56,289	$ 46,127	$ 46,127
Demand - Interest bearing	25,438	25,438	23,826	23,826
Savings	71,771	71,771	71,722	71,722
Money markets	56,707	56,707	63,055	63,055
Time	167,321	168,088	169,758	170,019
Total Deposits	377,526	378,293	374,488	374,749
Repurchase agreements	10,959	10,959	5,922	5,922
Short-term borrowings	-	-	893	893
Total Financial Liabilities	388,485	$ 389,252	381,303	$ 381,564
Other Liabilities	2,653		3,350	
Stockholders' Equity	44,961		42,924	
Total Liabilities and Stockholders' Equity	$ 436,099		$ 427,577	
Standby Letters of Credit	$ (6)	$ (6)	$ (8)	$ (8)

15 OPERATING LEASES

The Company leases the land upon which the Mount Pocono Office was built and the land upon which a drive-up ATM was built on Meadow Avenue, Scranton. The Company also leases space at several locations which are being used as remote banking facilities. Rental expense was $71 in 1998, $67 in 1997 and $66 in 1996. All leases contain renewal options. The Mount Pocono and the Meadow Avenue leases contain the right of first refusal for the purchase of the properties and provisions for annual rent adjustments based upon the Consumer Price Index.

Future minimum rental commitments under these leases at December 31, 1998 are as follows:

	Mount Pocono	Meadow Avenue	ATM Sites	Total
1999	$ 44	$ 18	$ 18	$ 80
2000	44	18	-	62
2001	44	12	-	56
2002	44	-	-	44
2003	44	-	-	44
2004 to 2011	331	-	-	331
Total minimum payments required	$ 551	$ 48	$ 18	$ 617

16 LOANS TO DIRECTORS, PRINCIPAL OFFICERS AND RELATED PARTIES

The Company has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties), on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. A summary of loans to directors, principal officers and related parties is as follows:

Years Ended December 31,	1998	1997
Beginning Balance	$ 4,658	$ 4,550
Additions	4,787	3,383
Collections	(5,437)	(3,275)
Ending Balance	$ 4,008	$ 4,658

17 REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the Capital Adequacy table below) of Tier I and Total Capital to risk-weighted asset and of Tier I Capital to average assets (Leverage ratio). The table also presents the Company's actual capital amounts and ratios. The Bank's actual capital amounts and ratios are substantially identical to the Company's. Management believes, as of December 31, 1998, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 1998, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Company as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Company must maintain minimum Tier I Capital, Total Capital and Leverage ratios as set forth in the Capital Adequacy table. There are no conditions or events since that notification that management believes have changed the Company's categorization by the FDIC.

The Company and Bank are also subject to minimum capital levels which could limit the payment of dividends, although the Company and Bank currently have capital levels which are in excess of minimum capital level ratios required.

The Pennsylvania Banking Code restricts capital funds available for payment of dividends to the Retained Earnings of the Bank. Accordingly, at December 31, 1998, the balances in the Capital Stock and Surplus accounts totalling $10,840 are unavailable for dividends.

In addition, the Bank is subject to restrictions imposed by Federal law on certain transactions with the Company's affiliates. These transactions include extensions of credit, purchases of or investments in stock issued by the affiliate, purchases of assets subject to certain exceptions, acceptance of securities issued by an affiliate as collateral for loans, and the issuance of guarantees, acceptances, and letters of credit on behalf of affiliates. These restrictions prevent the Company's affiliates from borrowing from the Bank unless the loans are secured by obligations of designated amounts. Further, the aggregate of such transactions by the Bank with a single affiliate is limited in amount to 10 percent of the Bank's capital stock and surplus, and the aggregate of such transactions with all affiliates is limited to 20 percent of the Bank's capital stock and surplus. The Federal Reserve System has interpreted "capital stock and surplus" to include undivided profits.

17 REGULATORY MATTERS (continued)

As of December 31, 1998	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be "Well Capitalized" Amount	To Be "Well Capitalized" Ratio
Total Capital (to Risk Weighted Assets	$47,289	18.36%	≥$20,610	≥8.0%	≥$25,764	≥10.0%
Tier I Capital (to Risk Weighted Assets)	$44,459	17.26%	≥$10,305	≥4.0%	≥$15,458	≥ 6.0%
Tier I Capital (to Average Assets)	$44,459	10.29%	≥ *	≥ *	≥$21,610	≥ 5.0%

* 3.0% ($12,966), 4.0% ($17,288) or 5.0% ($21,610) depending on the bank's CAMELS Rating and other regulatory risk factors.

As of December 31, 1997	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be "Well Capitalized" Amount	To Be "Well Capitalized" Ratio
Total Capital (to Risk Weighted Assets)	$45,102	19.22%	≥$18,776	≥8.0%	≥$23,470	≥10.0%
Tier I Capital (to Risk Weighted Assets)	$42,502	18.11%	≥$ 9,388	≥4.0%	≥$14,082	≥ 6.0%
Tier I Capital (to Average Assets)	$42,502	10.25%	≥ *	≥ *	≥$20,727	≥ 5.0%

* 3.0% ($12,436), 4.0% ($16,581) or 5.0% ($20,727) depending on the bank's CAMELS Rating and other regulatory risk factors.

18 PENSECO FINANCIAL SERVICES CORPORATION (PARENT CORPORATION)

On December 31, 1997, the Bank was reorganized into a holding company structure. Each outstanding share of the Bank's common stock, par value of $10.00 per share, was exchanged for four shares of Penseco Financial Services Corporation common stock, par value of $.01 per share. As a result of the reorganization, the Bank became a wholly-owned subsidiary of the Company.

This reorganization among entities under common control was accounted for at historical cost in a manner similar to a pooling of interests. Prior financial statements have been restated to reflect the transaction.

The condensed Company-only information follows:

BALANCE SHEETS

December 31,	1998	1997
Investment in subsidiary	$ 44,961	$ 42,924
Total Assets	$ 44,961	$ 42,924
Total Stockholders' Equity	$ 44,961	$ 42,924

STATEMENTS OF INCOME

Years Ended December 31,	1998	1997	1996
Earnings of subsidiary:			
Dividends received	$ 2,255	$ 2,256	$ 2,148
Undistributed net income of subsidiary	2,026	2,469	2,454
Net Income	$ 4,281	$ 4,725	$ 4,602

STATEMENTS OF CASH FLOWS

Years Ended December 31,	1998	1997	1996
Operating Activities:			
Net Income	$ 4,281	$ 4,725	$ 4,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiary	(2,026)	(2,469)	(2,454)
Net cash provided by operating activities	2,255	2,256	2,148
Investing Activities:			
Investment in Interim Bank subsidiary	-	(465)	-
Special dividend from subsidiary	-	465	-
Net cash provided by investing activities	-	-	-
Financing Activities:			
Proceeds from short-term debt	-	470	-
Payment of short-term debt	-	(470)	-
Proceeds from sale of stock	-	5	-
Purchase of stock	-	(5)	-
Cash dividends paid	(2,255)	(2,256)	(2,148)
Net cash used by financing activities	(2,255)	(2,256)	(2,148)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents at January 1	-	-	-
Cash and cash equivalents at December 31	$ -	$ -	$ -

February 19, 1999

To the Board of Directors and Stockholders
Penseco Financial Services Corporation
Scranton, Pennsylvania

Independent Auditor's Report

We have audited the accompanying consolidated balance sheets of Penseco Financial Services Corporation and its wholly owned subsidiary, Penn Security Bank and Trust Company as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Penseco Financial Services Corporation and subsidiary as of December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the years in the three year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ McGrail, Merkel, Quinn & Associates
Scranton, Pennsylvania

ITEM 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on matters of accounting principles or practices or financial statement disclosures in 1998.

PART III

ITEM 10 Directors and Executive Officers of the Registrant

The information on Directors of the Company on pages 4 and 5 in the definitive proxy statement relating to the Company's 1999 meeting of stockholders is incorporated herein by reference thereto.

The information on Executive Officers on pages 6 and 7 in the definitive proxy statement relating to the Company's 1999 meeting of stockholders is incorporated herein by reference thereto.

ITEM 11 Executive Compensation

The information contained under the heading "Executive Compensation" on page 6 in the definitive proxy statement relating to the Company's 1999 meeting of stockholders is incorporated herein by reference thereto.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management

The information contained under the heading "Voting Securities & Principal Holders Thereof" on pages 2,3 and 4 in the definitive proxy statement relating to the Company's 1999 meeting of stockholders is incorporated herein by reference thereto.

ITEM 13 Certain Relationships and Related Transactions

The information contained in Note 16 under Item 8 on page 39 under the heading "General Notes to Financial Statements" in the Company's 1998 Annual Report to Shareholders is incorporated herein by reference thereto.

PART IV

ITEM 14 Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements - The following financial statements are incorporated by reference in Part II, Item 8 hereof:

Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Changes in Stockholders' Equity
Consolidated Statements of Cash Flows
General Notes to Financial Statements
Independent Auditor's Report

(2) Financial Statement Schedules - The Financial Statement Schedules are incorporated by reference in Part II, Item 8 hereof.

(3) Exhibits

The following exhibits are filed herewith or incorporated by reference as part of this Annual Report.

3(i) Registrant's Articles of Incorporation (Incorporated herein by reference to 3(i) of Registrant's report on Form 10-K filed with the SEC on March 30, 1998.)

3(ii) Registrant's By-Laws (Incorporated herein by reference to 3(ii) of Registrant's report on Form 10-K filed with the SEC on March 30, 1998.)

10 Material contracts - Supplemental Benefit Plan Agreement (The information contained on page 8 in the Company's definitive proxy statement relating to the Company's 1999 meeting of stockholders is incorporated herein by reference thereto).

13 Annual report to security holders (Included herein by reference on pages 1-48, including the cover.)

21 Subsidiaries of the registrant (Incorporated herein by reference to Exhibit 21 of Registrant's report on Form 10-K filed with the SEC on March 30, 1998.)

27 Financial Data Schedule

(b) No current Report on Form 8-K was filed for the fourth quarter of 1998 of the fiscal year ended December 31, 1998.

(c) The exhibits required to be filed by this Item are listed under Item 14. (a) 3, above.

(d) There are no financial statement schedules required to be filed under this item.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Bank has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 9, 1999.

By: /s/ Otto P. Robinson, Jr.

Otto P. Robinson, Jr.
President

By: /s/ Richard E. Grimm

Richard E. Grimm
Executive Vice-President

By: /s/ Patrick Scanlon

Patrick Scanlon
Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 9, 1999.

By: /s/ Edwin J. Butler	By: /s/ Robert W. Naismith, Ph.D.
Edwin J. Butler Director	Robert W. Naismith, Ph.D. Director
By: /s/ Richard E. Grimm	By: /s/ James B. Nicholas

Richard E. Grimm
Director

James B. Nicholas
Director

By: /s/ Russell C. Hazelton

Russell C. Hazelton
Director

By: /s/ Emily S. Perry

Emily S. Perry
Director

By: /s/ D. William Hume

D. William Hume
Director

By: /s/ Sandra C. Phillips

Sandra C. Phillips
Director

By: /s/ James G. Keisling

James G. Keisling
Director

By: /s/ Otto P. Robinson, Jr.

Otto P. Robinson, Jr.
Director

By: /s/ P. Frank Kozik

P. Frank Kozik
Director

INDEX TO EXHIBITS

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Exhibit Number Referred to Item 601 of Regulation S-K	DESCRIPTION OF EXHIBIT	Prior Filing or Exhibit Page Number Herein
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2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None
3	(i) Articles of Incorporation	Incorporated herein by reference to Exhibit 3 (i) of Registrant's report on Form 10-K filed with the SEC on March 30, 1998.
	(ii) By-Laws	Incorporated herein by reference to Exhibit 3 (ii)of Registrant's report on Form 10-K filed with the SEC on March 30, 1998.
4	Instruments defining the rights of security holders, including indentures	None
9	Voting trust agreement	None
10	Material contracts - Supplemental Benefit Plan Agreement	Page 8 of the Definitive Proxy Statement relating to the Company's 1999 Meeting of Stock-holders is incorporated herein by reference thereto.
11	Statement re: Computation of per share earnings	None
12	Statements re: Computation of ratios	None
13	Annual report to security holders, Form 10-Q or quarterly report to security holders	Included herein by reference on pages 1-48, including the cover.
16	Letter re: Change in certifying accountant	None
18	Letter re: Change in accounting principles	None
21	Subsidiaries of the registrant	Incorporated herein by reference to Exhibit 21 of Registrant's report on Form 10-K filed with

the SEC on March 30, 1998.

22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	None
24	Power of attorney	None
27	Financial Data Schedule	None
99	Additional Exhibits	None

</TABLE>

COMPANY OFFICERS

PENSECO FINANCIAL SERVICES CORPORATION AND
PENN SECURITY BANK AND TRUST COMPANY

EXECUTIVE OFFICERS

Otto P. Robinson, Jr.
President and General Counsel

Richard E. Grimm
Executive Vice-President and Treasurer

Peter F. Moylan
Executive Vice-President, Non-Deposit Services and Trust Officer

Robert F. Duguay
Senior Vice-President, Trust Department

D. William Hume
Senior Vice-President and Assistant Secretary

Andrew A. Kettel, Jr.
Senior Vice-President

Thomas E. Clewell
Vice-President and Assistant Trust Officer

Anne M. Cottone
Vice-President and Compliance Officer

Michael Kosh
Vice-President and Assistant Trust Officer

Audrey F. Markowski
Vice-President

Richard P. Rossi
Vice-President, Director of Human Resources

James Tobin
Vice-President, Charge Card Department Manager

Otto P. Trostel
Vice-President, Marketing

John H. Warnken
Vice-President, Operations

P. Frank Kozik
Secretary

Patrick Scanlon
Controller

Robert P. Heim
Director of Internal Audit

Gerard P. Vasil
Manager, Data Processing

Henry V. Janoski
Chief Investment Officer, Trust Department

PENN SECURITY BANK AND TRUST COMPANY OFFICERS

ASSISTANT VICE-PRESIDENTS

Carl M. Baruffaldi
Nancy Burns
Denise M. Cebular
Carol Curtis McMullen, Assistant Trust Officer and Assistant Secretary
Paula M. DePeters
J. Patrick Dietz
Geraldine Hughes
Ann M. Kennedy
Eleanor Kruk
Donald F. Latorre
Caroline Mickelson
Aleta Sebastianelli, and Assistant Secretary

OFFICERS (continued)

Jeffrey Solimine
Beth S. Wolff
Deborah A. Wright

ASSISTANT CASHIERS

Pamela Edwards
Karyn Gaus
Susan T. Holweg
Jacqueline Lucke
Kristen A. McGoff, and Branch Operations Officer
Candace F. Quick
Nereida Santiago
Sharon Thauer
Eileen Walsh

ACCOUNTING OFFICER
Luree M. Waltz

ASSISTANT CONTROLLER
Susan M. Bray

ASSISTANT DIRECTOR OF INTERNAL AUDIT
Paula A. Ralston Nenish

ASSISTANT STUDENT LOAN OFFICER
Jo Ann M. Bevilaqua

BRANCH OPERATIONS OFFICER
Lauren L. Lankford

BUSINESS DEVELOPMENT OFFICER
Christe A. Casciano

CHARGE CARD OPERATIONS OFFICER
Eileen Yanchak

COMPUTER OPERATIONS OFFICER
Charles Penn

CREDIT REVIEW OFFICER
Mark M. Bennett, and Assistant Secretary

DIRECTOR OF CAMPUS BANKING
Douglas R. Duguay

DIRECTOR OF P.C. SYSTEMS
Robert J. Saslo

FINANCIAL REPORTING OFFICER
John R. Anderson III

HUMAN RESOURCES OFFICER
Sharon Rosar

LOAN OFFICERS
Denise Belton
Frank Gardner
Barbara Garofoli
Lisa A. Kearney

OPERATIONS OFFICER
Patricia Pliske

TELLER TRAINING OFFICER
Linda A. Wolf

TRUST ACCOUNTING OFFICER

Joseph Woytovich

TRUST OPERATIONS OFFICER
Carol Trezzi

COMPANY OFFICERS

PENSECO FINANCIAL SERVICES CORPORATION AND
PENN SECURITY BANK AND TRUST COMPANY

BOARD OF DIRECTORS

Edwin J. Butler
Retired Bank Officer

Richard E. Grimm
Executive Vice-President and Treasurer

Russell C. Hazelton
Captain, Trans World Airlines

D. William Hume
Senior Vice-President and Assistant Secretary

James G. Keisling
Partner, Compression Polymers Group, Manufacturer of Plastic Sheet Products

P. Frank Kozik
President, Scranton Craftsmen, Inc., Manufacturer of Ornamental Iron and Precast Concrete Products

Robert W. Naismith, Ph.D.
Chairman & CEO, Genome Securities, Inc.

James B. Nicholas
President, D. G. Nicholas Co., Wholesale Auto Parts Company

Emily S. Perry
Account Executive, Murray Insurance Company

Sandra C. Phillips
Penn State Master Gardener Community Volunteer

Otto P. Robinson, Jr.
Attorney-at-Law, President

PENN SECURITY BANK AND TRUST COMPANY

ADVISORY BOARDS

ABINGTON OFFICE
James L. Burne, DDS
Nancy Burns
Keith Eckel
Richard C. Florey
C. Lee Havey, Jr.
Atty. Patrick J. Lavelle
Sandra C. Phillips

EAST SCRANTON OFFICE
Marie W. Allen
J. Conrad Bosley
Judge Carmen Minora
Mark R. Sarno
Beth S. Wolff

EAST STROUDSBURG OFFICE
Denise M. Cebular
Mary Citro
Robert J. Dillman, Ph.D.
Jere Dunkelberger
Atty. Kirby Upright
Jeffrey Weichel

GREEN RIDGE OFFICE
Carl M. Baruffaldi
Joseph N. Connor
Everett Jones
Atty. Patrick J. Mellody
Caroline Mickelson

George Noone
Howard J. Snowdon

MOUNT POCONO OFFICE
Bruce Berry
Francis Cappelloni
J. Patrick Dietz
Atty. Brian Golden
Robert C. Hay
David Lansdowne

NORTH POCONO OFFICE
Anthony J. Descipio
George F. Edwards
James A. Forti
Atty. David Z. Smith
Deborah A. Wright

SOUTH SIDE OFFICE
Atty. Zygmunt R. Bialkowski, Jr.
Michael P. Brown
Lois Ferrari
Donald F. LaTorre
Jeffrey J. Leventhal
Dr. Ted M. Stampien

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