Aggregate Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes the Corporation's contractual obligations to make future payments as of December 31, 2003. Payments for borrowings do not include interest. Payments related to operating leases are based on actual payments specified in the underlying contracts.

(Dollar Amounts In Thousands)

	Footnote Reference	1 Year or Less	After 1 But Within 3 Years	After 3 But Within 5 Years	After 5 Years	Total
Federal Home Loan Bank advances	18	$ 22,152	$ 21,392	$ 458,886	$ 175,658	$ 678,088
Repurchase agreements	18	-0-	-0-	20,000	-0-	20,000
Subordinated debentures	17	8,292	-0-	-0-	67,012	75,304
ESOP loan	18	1,477	1,136	-0-	-0-	2,613
Operating leases	14	2,093	3,856	3,146	5,584	14,679
Total contractual obligations		$ 34,014	$ 26,384	$ 482,032	$ 248,254	$ 790,684

The preceding table excludes unamortized premiums and discounts on Federal Home Loan Bank advances because these premiums and discounts do not represent future cash obligations. The preceding table also excludes the Corporation's cash obligations upon maturity of certificates of deposit whose maturities are described in NOTE 15 to the "Consolidated Financial Statements." Subordinated debentures in the amount of $8,292 thousand previously issued by PFC and due in 2028 were called and subsequently paid in full in January 2004 and are included as due within 1 year above.

The following table summarizes the Corporation's off-balance sheet commitments as of December 31, 2003. Commitments to extend credit and standby letters of credit are presented at contractual amounts; however, since many of these commitments are expected to expire unused or only partially used, the total amounts of these commitments do not necessarily reflect future cash requirements.

(Dollar Amounts In Thousands)

	Footnote Reference	Amount
Commitments to extend credit	13	$ 620,403
Standby letters of credit	13	28,836
Total lending-related commitments		$ 649,239

Commitments to extend credit include unfunded loan commitments as well as the undrawn portions of revolving and closed-end lines of credit as of December 31, 2003. The contractual provisions of these commitments normally include fixed expiration dates or termination clauses, specific interest rates and clauses indicating that funding is contingent upon borrowers maintaining stated credit standards at the time of loan funding.

Standby letters of credit are written conditional commitments issued by the Corporation to guarantee the performance of a client to a third party. In the event the client does not perform in accordance with the terms of the agreement with the third party, the Corporation would be required to fund the commitment. The maximum potential amount of future payments the Corporation could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Corporation would be entitled to seek repayment from the client. The Corporation's policies generally require that standby letter of credit arrangements contain security and debt convenants similar to those contained in loan agreements.

Liquidity

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

Liquidity risk stems from the possibility that the Corporation may not be able to meet current or future financial obligations, or the Corporation may become overly reliant on alternative funding sources. The Corporation maintains a liquidity risk management policy to manage this risk. This policy identifies the primary sources of liquidity, establishes procedures for monitoring and measuring liquidity and quantifies minimum liquidity requirements based on board approved limits. The policy also includes a liquidity contingency plan to address funding needs to maintain liquidity under a variety of business conditions. The Corporation's liquidity position is monitored by the Asset/Liability Management Committee ("ALCO").

The Corporation's long-term liquidity source is a large core deposit base and a strong capital position. Core deposits are the most stable source of liquidity a bank can have due to the long-term relationship with a deposit customer. Deposits increased $244.2 million in 2003 and included increases in savings and