

July 13, 2016

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C&N ANNOUNCES SECOND QUARTER 2016 UNAUDITED FINANCIAL RESULTS FOR IMMEDIATE RELEASE:

Wellsboro, PA – Citizens & Northern Corporation (C&N) announced its unaudited, consolidated financial results for the three-month and six-month periods ended June 30, 2016.

Second quarter 2016 net income was \$0.32 per basic and diluted share, as compared to \$0.29 in the first quarter 2016 and \$0.36 in the second quarter 2015. For the six months ended June 30, 2016, net income per basic and diluted share was \$0.61 as compared to \$0.67 per basic and diluted share for the first six months of 2015. The return on average assets for the first six months of 2016 was 1.22%, and the return on average equity was 7.94%. Highlights related to C&N's earnings results for the comparative periods are as follows:

Second Quarter 2016 as Compared to First Quarter 2016

- Net interest income was \$9,999,000 in the second quarter 2016 as compared to \$10,033,000 in the first quarter 2016. The net interest margin declined to 3.76% in the second quarter 2016 from 3.81% in the first quarter, mainly due to a reduction in yield on available-for-sale securities. The reduction in yield on securities reflects the impact of pay-offs received over approximately the past nine months of several municipal bonds that were purchased several years ago when market interest yields were higher. Relatedly, the net interest margin in the first quarter was enhanced 0.02% by accretion on three municipal bonds that were called.
- The provision for loan losses was \$318,000 in the second quarter 2016, down slightly from \$368,000 in the first quarter. The second quarter 2016 provision included the impact of increasing the allowance for loan losses by \$268,000 at June 30, 2016 as compared to the end of the first quarter, reflecting growth in outstanding loans and the use of slightly higher qualitative factors to estimate the required allowance.
- Noninterest revenue of \$3,906,000 in the second quarter 2016 was higher than the first quarter total by \$216,000 (5.9%). The increase included seasonal increases in net gains from sales of residential mortgage loans of \$127,000 and Trust and Financial Management revenue of \$107,000. Within noninterest revenue, other operating income of \$394,000 was \$70,000 lower in the second quarter 2016 as compared to the first quarter, reflecting a lower amount of benefits realized from tax credits. Also within noninterest revenue, the fair value of mortgage servicing rights decreased \$108,000 in the second quarter 2016 as compared to a decrease in fair value of \$71,000 in the first quarter. The decreases in fair value in each of the first two quarters of 2016 resulted mainly from changes in prepayment assumptions driven by market expectations of lower interest rates.
- Realized gains from sales of securities totaled \$122,000 in the second quarter 2016 as compared to \$383,000 in the first quarter.
- Noninterest expenses, excluding loss on prepayment of borrowings, totaled \$8,535,000 in the second quarter 2016, down \$537,000 (5.9%) from the first quarter. Pensions and other employee benefits expense decreased \$435,000 in the second quarter 2016 as compared to the first quarter, reflecting: (1) a reduction in employee health care expense of \$282,000 due to more favorable claims experience from the partially self-insured plan, and (2) a reduction in payroll taxes and other payroll-related expenses that are typically highest in the first quarter of each year. Other operating expense decreased \$126,000, including

a reduction in charitable donations of \$138,000. A substantial portion of the first quarter 2016 donations resulted in tax credits to be applied against 2016 state taxes.

Second Quarter 2016 as Compared to Second Quarter 2015

- Net interest income was lower by \$11,000, or 0.1%, in the second quarter 2016 as compared to the second quarter 2015. The net interest margin for the second quarter 2016 was 0.07% higher than in the second quarter 2015 due to a lower cost of borrowed funds and a more favorable mix of earning assets. The average balance of total borrowed funds was \$61,874,000 at an average interest rate of 2.62% in the second quarter 2016, down from average borrowings of \$78,396,000 at an average interest rate of 3.57% in the second quarter 2015. The reduction in amount and average rate on borrowed funds reflects the impact of prepayments in the second and fourth quarters of 2015 of a long-term borrowing with an interest rate of 4.265%. Average total loans outstanding were higher by \$70.7 million (11.0%) in the second quarter 2016 as compared to the second quarter 2015, while average total available-for-sale securities were lower by \$99.9 million. The average balance of earning assets fell \$26.5 million, reflecting a reduction in funding available for investment, as average total deposits decreased \$12.5 million (1.3%).
- The second quarter 2016 provision for loan losses was \$97,000 higher than the comparative second quarter 2015 amount. As noted above, the provision in the most recent quarter included the impact of increasing the allowance for loan losses for the effects of loan growth and slight increases in qualitative factor percentages used in determining the collectively evaluated portion of the allowance.
- Noninterest revenue in the second quarter 2016 was lower by \$56,000 (1.4%) than the second quarter 2015 amount. Service charges on deposit accounts were \$141,000 (10.8%) lower, reflecting a reduced volume of consumer overdrafts, and the decrease in fair value of mortgage servicing rights (discussed above) of \$108,000 in the second quarter 2016 compared to a \$33,000 decrease in the second quarter 2015. Net gains from sales of loans in the second quarter 2016 exceeded the corresponding second quarter 2015 amount by \$112,000, or 61.2%, reflecting higher volume of sales. Other operating income was \$82,000 higher in the second quarter 2016 as compared to the second quarter 2015, including increases in dividend income from Federal Home Loan Bank of Pittsburgh stock and in revenue from redemption of tax credits.
- Realized gains from securities totaled \$122,000 in the second quarter 2016. In comparison, in the second quarter 2015, C&N generated gains from sales of securities totaling \$932,000, and also incurred a loss from prepayment of borrowings totaling \$910,000. In the second quarter 2015, C&N prepaid principal of \$10 million on a long-term borrowing (repurchase agreement) with an interest rate of 4.265%.
- Noninterest expenses, excluding loss on prepayment of borrowings, in the second quarter 2016 exceeded the second quarter 2015 amount by \$571,000 (7.2%). Salaries and wages expense increased \$310,000 (8.6%), reflecting an increase in number of employees, including new positions established for lending, lending support, information technology, training, human resources and marketing functions. Professional fees expense increased \$142,000 in the second quarter 2016 over the second quarter 2015 amount, including increases related to employee sales and service training, information technology, marketing and outsourced commercial loan credit review.

Six-Month Periods Ended June 30, 2016 and 2015

- For the first six months of 2016, net interest income was \$72,000, or 0.4%, higher than the comparable total for the first six months of 2015. Consistent with the trends described above, the net interest margin was 0.08% higher than the margin for the first six months of 2015, reflecting a lower cost of borrowed funds resulting from prepayment in 2015 of a long-term borrowing and a more favorable mix of earning assets. The average balance of total borrowed funds was \$68,141,000 at an average interest rate of 2.44% for the first six months of 2016, down from average borrowings of \$78,715,000 at an average interest rate of 3.65% in the first six months of 2015. Average total loans outstanding were higher by \$73.9 million

(11.7%) in the first six months of 2016 as compared to the first six months of 2015, while average total available-for-sale securities were lower by \$97.2 million. The average balance of earning assets fell \$25.1 million, reflecting a reduction in funding available for investment, as average total deposits decreased \$17.0 million (1.7%).

- The provision for loan losses for the six months ended June 30, 2016 exceeded the corresponding amount for the first six months of 2015 by \$462,000. The provision in 2016 included the impact of increasing the allowance for loan losses for the effects of loan growth and slight increases in net charge-off experience and qualitative factors used in determining the collectively evaluated portion of the allowance. In comparison, the provision in 2015 also reflected the effects of loan growth, but the qualitative factors used in determining a portion of the collectively determined allowance for loan allowances were slightly decreased during the period.
- Noninterest revenue increased \$78,000 (1.0%) in the first six months of 2016 as compared to the total for the first six months of 2015. Net gains from sales of loans increased \$133,000, or 40.3%, reflecting higher volume of sales. Other operating income increased \$99,000, mainly due to an increase in revenue from redemption of tax credits. Brokerage revenue decreased \$72,000, as the volume of sales of annuities declined.
- In the first six months of 2016, realized gains from securities totaled \$505,000, including gains from sales of bank stocks of \$277,000. In the first six months of 2015, C&N generated gains from sales of securities totaling \$1,006,000, including gains from sales of bank stocks of \$476,000, and also incurred the loss from prepayment of a borrowing described above totaling \$910,000.
- Noninterest expenses, excluding loss on prepayment of borrowings, in the first six months of 2016 exceeded the amount for the first six months of 2015 by \$1,110,000 (6.7%). Salaries and wages expense increased \$710,000 (10.0%). As described above, several new positions were established in the latter portion of 2015 and early 2016. Professional fees expense increased \$275,000, including increases related to employee sales and service training, information technology, marketing and outsourced commercial loan credit review.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,231,018,000 at June 30, 2016, as compared to \$1,216,544,000 at March 31, 2016 and \$1,255,722,000 at June 30, 2015.
- Net loans outstanding (excluding mortgage loans held for sale) were \$719,913,000 at June 30, 2016, up from \$693,994,000 at March 31, 2016 and up 9.7% from \$656,518,000 at June 30, 2015. In comparing outstanding balances at June 30, 2016 and 2015, total residential mortgage loans increased \$23.4 million, or 6.2%, and total commercial loans increased \$38.6 million, or 13.9%. At June 30, 2016, the outstanding balance of commercial loan participations with other financial entities was \$35.9 million, an increase of \$25.6 million over the corresponding balance at June 30, 2015.
- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$156,417,000 at June 30, 2016, up from \$153,778,000 at March 31, 2016 and \$151,132,000 at June 30, 2015.
- Total nonperforming assets as a percentage of assets was 1.40% at June 30, 2016 as compared to 1.36% at March 31, 2016 and 1.26% at June 30, 2015. Total outstanding loans 90 days or more past due and still accruing interest increased to \$4,654,000 at June 30, 2016 from \$3,957,000 at March 31, 2016 and \$2,529,000 at June 30, 2015. At June 30, 2016, there were several residential mortgage loans that were more than 90 days past due but were deemed by management to be well secured and in the process of collection.

- Deposits and repo sweep accounts totaled \$973,612,000 at June 30, 2016, up from \$962,989,000 at March 31, 2016 but down 1.0% from \$983,255,000 at June 30, 2015. The reduction in total deposits and repo sweeps at June 30, 2016 as compared to June 30, 2015 includes a reduction of \$10.0 million in time deposits (mainly certificates of deposit and IRAs).
- Total shareholders' equity was \$190,530,000 at June 30, 2016 as compared to \$188,310,000 at March 31, 2016 and \$186,973,000 at June 30, 2015. Tangible common equity as a percentage of tangible assets was 14.65% at June 30, 2016, up from 14.07% a year earlier. In the second quarter 2016, 32,950 shares of common stock were repurchased at an average cost of \$19.82 per share for a total cost of \$653,000, completing the repurchases of shares authorized by the Board of Directors under the program announced in July 2014. In April 2016, the Board announced a new common stock repurchase program for the acquisition of up to 600,000 shares. There were no repurchases of stock under the new program in the second quarter 2016.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$847,280,000 at June 30, 2016, up from \$826,470,000 at March 31, 2016, and up 1.6% from \$833,762,000 a year earlier.

Citizens & Northern Corporation is the parent company of Citizens & Northern Bank, a local, independent community bank providing complete financial, investment and insurance services through 26 full service offices throughout Tioga, Bradford, Sullivan, Lycoming, Potter, Cameron and McKean counties in Pennsylvania and in Canisteo and South Hornell, NY. C&N can be found on the worldwide web at www.cnbankpa.com. The Company's stock is listed on NASDAQ Capital Market Securities under the symbol CZNC.

Safe Harbor Statement: Except for historical information contained herein, the matters discussed in this release are forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the following: changes in monetary and fiscal policies of the Federal Reserve Board and the U.S. Government, particularly related to changes in interest rates; changes in general economic conditions; legislative or regulatory changes; downturn in demand for loan, deposit and other financial services in the Corporation's market area; increased competition from other banks and non-bank providers of financial services; technological changes and increased technology-related costs; changes in management's assessment of realization of securities and other assets; and changes in accounting principles, or the application of generally accepted accounting principles. Citizens & Northern disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

June 30, 2016

QUARTERLY REPORT

Dear Shareholder:

In March of last year, I joined a high-performing banking company with a Board and management team focused on maintaining C&N's earnings performance while expanding its capacity for growth. Earnings remain strong relative to our peers in the industry, although they are lower for the second quarter and first six months of this year as compared to last year. However, these results include substantial investments in future capacity that support our growth objectives.

Earnings were \$.61 per share for the six months ended June 30, 2016 as compared to \$.67 in the first six months of 2015. Second quarter 2016 earnings per share were \$0.32 in comparison to \$0.36 for the second quarter 2015. Return on average assets (ROAA) for the six months ended June 30, 2016 was 1.22% and return on average equity (ROAE) was 7.94%. Our ROAA remains very healthy by industry standards. The Federal Reserve's "Bank Holding Company Performance Report March 31, 2016" shows that C&N's ROAA for the first quarter 2016 of 1.18% (slightly lower than the year-to-date level) represented performance in the 82nd percentile for U.S. bank holding companies with consolidated assets between \$1 billion and \$3 billion. Our ROAE reflects very high levels of equity capital as a percentage of assets relative to our peers which provides C&N with a platform for growth. One of our ongoing priorities is to identify and execute on opportunities to more effectively leverage our capital without taking undue risks.

For the first six months of 2016, net interest income was \$72,000, or 0.4%, higher than the comparable total for the first six months of 2015. The net interest margin was 3.79%, which was 0.08% higher than the margin for the first six months of 2015. The improvement in the margin reflected a lower cost of borrowed funds and a more favorable mix of earning assets. Average total loans outstanding were higher by \$73.9 million (11.7%) in the first six months of 2016 as compared to the first six months of 2015, while average total available-for-sale securities were lower by \$97.2 million. Loan growth, our initial priority, included substantial increases in residential mortgage and commercial loans outstanding. The average balance of earning assets fell \$25.1 million, reflecting a reduction in funding available for investment, as average total deposits decreased \$17.0 million (1.7%).

The provision for loan losses for the six months ended June 30, 2016 exceeded the corresponding amount for the first six months of 2015 by \$462,000. The provision in 2016 included the impact of increasing the allowance for loan losses for the continued effects of loan growth and slight increases in net charge-off experience and qualitative factors used in determining the collectively evaluated portion of the allowance.

Noninterest revenue increased \$78,000 (1.0%) in the first six months of 2016 as compared to the total for the first six months of 2015. Net gains from sales of loans increased \$133,000, or 40.3%, reflecting higher volume of sales. Other operating income increased \$99,000, mainly due to an increase in revenue from redemption of tax credits. Brokerage revenue decreased \$72,000, as the volume of sales of annuities declined.

In the first six months of 2016, realized gains from securities totaled \$505,000, including gains from sales of bank stocks of \$277,000. In the first six months of 2015, C&N generated gains from sales of securities totaling \$1,006,000, including gains from sales of bank stocks of \$476,000, and also incurred a loss of \$910,000 from a prepayment of principal on a borrowing.

Noninterest expenses, excluding loss on prepayment of borrowings, in the first six months of 2016 exceeded the amount for the first six months of 2015 by \$1,110,000 (6.7%). Salaries and wages expense increased \$710,000 (10.0%). Several new positions were established in the latter portion of 2015 and early 2016, including new positions established for lending, lending support, information technology, training, human resources and marketing functions. Professional fees expense increased \$275,000, including increases related to employee sales and service training, information technology, marketing and outsourced commercial loan credit review.

In summary, revenues for the first six months of 2016 were essentially flat as compared to 2015, while expenses were up. I am confident that the benefits to C&N from the activities driving expense increases this year will be significant,

particularly in the areas of lending, information technology and marketing. These investments position us for revenue and productivity enhancements over the next few years.

C&N's strong capital position continues to support shareholder value through cash dividends and stock repurchases. Dividends were \$.26 per share in each of the first two quarters of 2016, consistent with the levels in the previous year, producing an annualized yield of 5.14% based on the June 30, 2016 closing market price of \$20.22. In the second quarter 2016, we completed the repurchase of 622,500 shares authorized by the Board of Directors under the program announced in July 2014. In April 2016, the Board announced a new common stock repurchase program for the acquisition of up to 600,000 shares. There were no repurchases of stock under the new program in the second quarter 2016.

In addition to pushing for strong financial performance, C&N's vision and values drive us to give back to the communities we serve and have fun along the way. On June 27th, we reestablished the C&N Charity Classic. The Classic, which included a golf tournament, dinner, and prizes was a wonderful success! We saw many smiles and heard a lot of laughter from our clients, vendors, employees and other friends who participated and helped us raise more than \$10,000 to benefit Volunteer First Responders throughout our market area. Our entire Team would like to again say "thank you" to everyone who sponsored or participated in the renewal of this annual event.

As always, thank you for your investment and ongoing support.

A handwritten signature in cursive script that reads "J. Bradley Scovill".

J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

(In Thousands, Except Per Share Data) (Unaudited)

	2ND QUARTER 2016 (Current)	2ND QUARTER 2015 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$10,924	\$ 11,186	(\$262)	-2.34%
Interest Expense	925	1,176	(251)	-21.34%
Net Interest Income	9,999	10,010	(11)	-0.11%
Provision for Loan Losses	318	221	97	43.89%
Net Interest Income After Provision for Loan Losses	9,681	9,789	(108)	-1.10%
Other Income	3,906	3,962	(56)	-1.41%
Net Gains on Available-for-sale Securities	122	932	(810)	-86.91%
Loss on Prepayment of Borrowings	0	910	(910)	-100.00%
Other Noninterest Expenses	8,535	7,964	571	7.17%
Income Before Income Tax Provision	5,174	5,809	(635)	-10.93%
Income Tax Provision	1,303	1,452	(149)	-10.26%
Net Income	\$3,871	\$4,357	(\$486)	-11.15%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.32	\$0.36	(\$0.04)	-11.11%
Net Income - Diluted	\$0.32	\$0.36	(\$0.04)	-11.11%
Dividend Per Share	\$0.26	\$0.26	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,062,376	12,199,996		
Number Shares Used in Computation - Diluted	12,083,916	12,222,526		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

(In Thousands, Except Per Share Data) (Unaudited)

	6 MONTHS ENDED JUNE 30,			
	2016 (Current)	2015 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$ 21,861	\$ 22,349	(\$488)	-2.18%
Interest Expense	1,829	2,389	(560)	-23.44%
Net Interest Income	20,032	19,960	72	0.36%
Provision for Loan Losses	686	224	462	206.25%
Net Interest Income After Provision for Loan Losses	19,346	19,736	(390)	-1.98%
Other Income	7,596	7,518	78	1.04%
Net Gains on Available-for-sale Securities	505	1,006	(501)	-49.80%
Loss on Prepayment of Borrowings	0	910	(910)	-100.00%
Other Noninterest Expenses	17,607	16,497	1,110	6.73%
Income Before Income Tax Provision	9,840	10,853	(1,013)	-9.33%
Income Tax Provision	2,396	2,681	(285)	-10.63%
Net Income	\$7,444	\$8,172	(\$728)	-8.91%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.61	\$0.67	(\$0.06)	-8.96%
Net Income - Diluted	\$0.61	\$0.67	(\$0.06)	-8.96%
Dividend Per Share	\$0.52	\$0.52	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,108,743	12,233,964		
Number Shares Used in Computation - Diluted	12,129,901	12,255,672		

CONDENSED, CONSOLIDATED BALANCE SHEET DATA

(In Thousands, Except Per Share Data) (Unaudited)

	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2016 vs 2015	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$27,436	\$35,405	(\$7,969)	-22.51%
Available-for-sale Securities	417,205	497,111	(79,906)	-16.07%
Loans Held for Sale	381	192	189	98.44%
Loans, Net	719,913	656,518	63,395	9.66%
Intangible Assets	11,966	11,983	(17)	-0.14%
Other Assets	54,117	54,513	(396)	-0.73%
TOTAL ASSETS	\$1,231,018	\$1,255,722	(\$24,704)	-1.97%
LIABILITIES				
Deposits	\$967,951	\$978,449	(\$10,498)	-1.07%
Repo Sweep Accounts	5,661	4,806	855	17.79%
Total Deposits and Repo Sweeps	973,612	983,255	(9,643)	-0.98%
Borrowed Funds	58,656	77,916	(19,260)	-24.72%
Other Liabilities	8,220	7,578	642	8.47%
TOTAL LIABILITIES	1,040,488	1,068,749	(28,261)	-2.64%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income	183,636	182,887	749	0.41%
Accumulated Other Comprehensive Income:				
Net Unrealized Gains/Losses on				
Available-for-sale Securities	6,849	4,077	2,772	67.99%
Defined Benefit Plans	45	9	36	400.00%
TOTAL SHAREHOLDERS' EQUITY	190,530	186,973	3,557	1.90%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,231,018	\$1,255,722	(\$24,704)	-1.97%

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information



CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

(In Thousands, Except Per Share Data) (Unaudited)

	6 MONTHS ENDED		% INCREASE (DECREASE)
	JUNE 30, 2016	2015	
EARNINGS PERFORMANCE			
Net Income	\$7,444	\$8,172	-8.91%
Return on Average Assets	1.22%	1.31%	-6.87%
Return on Average Equity	7.94%	8.66%	-8.31%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,231,018	\$1,255,722	-1.97%
Available-for-Sale Securities	417,205	497,111	-16.07%
Loans (Net)	719,913	656,518	9.66%
Allowance for Loan Losses	7,929	7,300	8.62%
Deposits and Repo Sweep Accounts	973,612	983,255	-0.98%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	156,417	151,132	3.50%
Trust Assets Under Management	847,280	833,762	1.62%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$0.61	\$0.67	-8.96%
Net Income - Diluted	\$0.61	\$0.67	-8.96%
Dividends	\$0.52	\$0.52	0.00%
Common Book Value	\$15.79	\$15.33	3.00%
Tangible Common Book Value	\$14.79	\$14.35	3.07%
Market Value (Last Trade)	\$20.22	\$20.55	-1.61%
Market Value / Common Book Value	128.06%	134.05%	-4.47%
Market Value / Tangible Common Book Value	136.71%	143.21%	-4.54%
Price Earnings Multiple (Annualized)	16.57	15.34	8.02%
Dividend Yield (Annualized)	5.14%	5.06%	1.58%
Common Shares Outstanding, End of Period	12,070,195	12,196,830	-1.04%
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets	14.65%	14.07%	4.12%
Nonperforming Assets / Total Assets	1.40%	1.26%	11.11%
Allowance for Loan Losses / Total Loans	1.09%	1.10%	-0.91%
Total Risk Based Capital Ratio (a)	23.74%	24.39%	-2.67%
Tier 1 Risk Based Capital Ratio (a)	22.67%	23.26%	-2.54%
Common Equity Tier 1 Risk Based Capital Ratio (a)	22.67%	23.26%	-2.54%
Leverage Ratio (a)	14.20%	13.82%	2.75%
AVERAGE BALANCES			
Average Assets	\$1,220,061	\$1,248,904	-2.31%
Average Equity	\$187,477	\$188,621	-0.61%

(a) Capital ratios for the most recent period are estimated.

QUARTERLY CONDENSED, CONSOLIDATED INCOME STATEMENT INFORMATION
(In Thousands) (Unaudited)
For the Three Months Ended:

	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
Interest income	\$10,924	\$10,937	\$11,036	\$11,134	\$11,186	\$11,163
Interest expense	925	904	1,087	1,126	1,176	1,213
Net interest income	9,999	10,033	9,949	10,008	10,010	9,950
Provision for loan losses	318	368	319	302	221	3
Net interest income after provision						
for loan losses	9,681	9,665	9,630	9,706	9,789	9,947
Other income	3,906	3,690	3,999	3,961	3,962	3,556
Net gains on available-for-sale securities	122	383	1,776	79	932	74
Loss on prepayment of borrowings	0	0	1,663	0	910	0
Other expenses	8,535	9,072	8,416	8,117	7,964	8,533
Income before income tax provision	5,174	4,666	5,326	5,629	5,809	5,044
Income tax provision	1,303	1,093	1,261	1,395	1,452	1,229
Net income	\$3,871	\$3,573	\$4,065	\$4,234	\$4,357	\$3,815
Net income per share – basic	\$0.32	\$0.29	\$0.33	\$0.35	\$0.36	\$0.31
Net income per share – diluted	\$0.32	\$0.29	\$0.33	\$0.35	\$0.36	\$0.31

QUARTERLY CONDENSED, CONSOLIDATED BALANCE SHEET INFORMATION
(In Thousands) (Unaudited)
As of:

	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	June 30, 2015
ASSETS				
Cash & Due from Banks	\$27,436	\$41,173	\$36,061	\$35,405
Available-for-Sale Securities	417,205	413,606	420,290	497,111
Loans Held for Sale	381	526	280	192
Loans, Net	719,913	693,944	696,991	656,518
Intangible Assets	11,966	11,969	11,972	11,983
Other Assets	54,117	55,326	57,823	54,513
TOTAL ASSETS	\$1,231,018	\$1,216,544	\$1,223,417	\$1,255,722
LIABILITIES				
Deposits	\$967,951	\$955,848	\$935,615	\$978,449
Repo Sweep Accounts	5,661	7,141	4,915	4,806
Total Deposits and Repo Sweeps	973,612	962,989	940,530	983,255
Borrowed Funds	58,656	57,503	87,348	77,916
Other Liabilities	8,220	7,742	8,052	7,578
TOTAL LIABILITIES	1,040,488	1,028,234	1,035,930	1,068,749
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding				
Accumulated Other Comprehensive Income/ Loss	183,636	182,914	184,959	182,887
Accumulated Other Comprehensive Income/ Loss:				
Net Unrealized Gains/Losses on				
Available-for-sale Securities	6,849	5,347	2,493	4,077
Defined Benefit Plans Adjustment, Net	45	49	35	9
TOTAL SHAREHOLDERS' EQUITY	190,530	188,310	187,487	186,973
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,231,018	\$1,216,544	\$1,223,417	\$1,255,722

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	June 30, 2016		March 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$9,664	\$9,781	\$10,661	\$10,707	\$10,663	\$10,483
Obligations of states and political subdivisions:						
Tax-exempt	110,702	116,056	107,269	111,959	103,414	107,757
Taxable	34,015	35,132	34,249	35,094	34,317	34,597
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:						
Residential pass-through securities	64,108	65,407	72,210	73,243	73,227	73,343
Residential collateralized mortgage obligations	175,889	177,980	179,731	180,860	193,145	191,715
Commercial mortgage-backed securities	11,120	11,239	0	0	0	0
Other collateralized debt obligations	1	1	7	7	9	9
Total debt securities	405,499	415,596	404,127	411,870	414,775	417,904
Marketable equity securities	1,171	1,609	1,253	1,736	1,680	2,386
Total	\$406,670	\$417,205	\$405,380	\$413,606	\$416,455	\$420,290

Summary of Loans by Type
(Excludes Loans Held for Sale)
(In Thousands)

	June 30, 2016	March 31, 2016	Dec. 31, 2015	June 30, 2015
Residential mortgage:				
Residential mortgage loans - first liens	\$315,191	\$306,753	\$304,783	\$294,978
Residential mortgage loans - junior liens	22,159	21,622	21,146	21,502
Home equity lines of credit	39,054	38,627	39,040	39,140
1-4 Family residential construction	22,241	20,010	21,121	19,651
Total residential mortgage	398,645	387,012	386,090	375,271
Commercial:				
Commercial loans secured by real estate	153,070	154,646	154,779	135,063
Commercial and industrial	82,390	71,628	75,196	61,427
Political subdivisions	41,026	38,364	40,007	40,908
Commercial construction and land	9,193	7,445	5,122	7,826
Loans secured by farmland	6,615	7,168	7,019	7,565
Multi-family (5 or more) residential	8,173	8,393	9,188	8,561
Agricultural loans	4,692	4,492	4,671	4,287
Other commercial loans	11,904	11,387	12,152	12,809
Total commercial	317,063	303,523	308,134	278,446
Consumer	12,134	11,070	10,656	10,101
Total	727,842	701,605	704,880	663,818
Less: allowance for loan losses	(7,929)	(7,661)	(7,889)	(7,300)
Loans, net	\$719,913	\$693,944	\$696,991	\$656,518

Loans Held for Sale
(In Thousands)

	June 30, 2016	March 31, 2016	Dec. 31, 2015	June 30, 2015
Residential mortgage loans originated and serviced - outstanding balance	\$156,798	\$154,304	\$152,728	\$151,324
Less: outstanding balance of loans sold	(156,417)	(153,778)	(152,448)	(151,132)
Loans held for sale, net	\$381	\$526	\$280	\$192

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended June 30, 2016	3 Months Ended March 31, 2016	6 Months Ended June 30, 2016	6 Months Ended June 30, 2015
Balance, beginning of period	\$7,661	\$7,889	\$7,889	\$7,336
Charge-offs	(63)	(613)	(676)	(299)
Recoveries	13	17	30	39
Net charge-offs	(50)	(596)	(646)	(260)
Provision for loan losses	318	368	686	224
Balance, end of period	\$7,929	\$7,661	\$7,929	\$7,300

**PAST DUE AND IMPAIRED LOANS, NONPERFORMING ASSETS
AND TROUBLED DEBT RESTRUCTURINGS (TDRs)**
(In Thousands)

	June 30, 2016	March 31, 2016	Dec 31, 2015	June 30, 2015
Impaired loans with a valuation allowance	\$1,275	\$1,420	\$1,933	\$3,880
Impaired loans without a valuation allowance	8,055	8,210	8,041	7,764
Total impaired loans	\$9,330	\$9,630	\$9,974	\$11,644

Total loans past due 30-89 days and still accruing	\$6,945	\$11,373	\$7,057	\$3,803
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Nonperforming assets:

Total nonaccrual loans	\$10,504	\$10,944	\$11,517	\$12,060
Total loans past due 90 days or more and still accruing	4,654	3,957	3,229	2,529
Total nonperforming loans	15,158	14,901	14,746	14,589
Foreclosed assets held for sale (real estate)	2,052	1,584	1,260	1,223
Total nonperforming assets	\$17,210	\$16,485	\$16,006	\$15,812

Loans subject to troubled debt restructurings (TDRs):

Performing	\$1,047	\$1,167	\$1,186	\$1,119
Nonperforming	5,102	5,146	5,178	5,216
Total TDRs	\$6,149	\$6,313	\$6,364	\$6,335

Total nonperforming loans as a % of loans	2.08%	2.12%	2.09%	2.20%
Total nonperforming assets as a % of assets	1.40%	1.36%	1.31%	1.26%
Allowance for loan losses as a % of total loans	1.09%	1.09%	1.12%	1.10%
Allowance for loan losses as a % of nonperforming loans	52.31%	51.41%	53.50%	50.04%

Analysis of Average Daily Balances and Rates
(Dollars in Thousands)

	3 Months Ended 6/30/2016 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 3/31/2016 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 6/30/2015 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Available-for-sale securities, at amortized cost:						
Taxable	\$297,608	2.02%	\$305,880	2.09%	\$389,705	2.06%
Tax-exempt	108,652	4.79%	105,406	5.23%	116,421	5.33%
Total available-for-sale securities	406,260	2.76%	411,286	2.89%	506,126	2.81%
Interest-bearing due from banks	24,250	0.60%	20,348	0.47%	21,970	0.46%
Loans held for sale	540	5.96%	452	5.34%	145	8.30%
Loans receivable:						
Taxable	650,213	5.00%	640,959	5.00%	592,188	5.25%
Tax-exempt	61,669	4.50%	60,677	4.54%	49,026	4.88%
Total loans receivable	711,882	4.96%	701,636	4.96%	641,214	5.22%
Total Earning Assets	1,142,932	4.09%	1,133,722	4.13%	1,169,455	4.09%
Cash	16,522		15,588		17,072	
Unrealized gain/loss on securities	7,737		7,055		10,260	
Allowance for loan losses	(7,756)		(7,932)		(7,226)	
Bank premises and equipment	15,390		15,458		16,095	
Intangible Asset - Core Deposit Intangible	25		29		44	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	38,938		38,530		38,065	
Total Assets	\$1,225,730		\$1,214,392		\$1,255,707	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$196,918	0.15%	\$195,142	0.12%	\$199,373	0.11%
Money market	200,896	0.17%	191,514	0.17%	196,537	0.15%
Savings	132,353	0.10%	130,003	0.10%	128,879	0.10%
Certificates of deposit	117,825	0.75%	113,411	0.72%	122,634	0.67%
Individual Retirement Accounts	104,030	0.42%	105,562	0.41%	111,765	0.41%
Other time deposits	1,140	0.00%	804	0.00%	1,125	0.00%
Total interest-bearing deposits	753,162	0.28%	736,436	0.26%	760,313	0.25%
Borrowed funds:						
Short-term	23,225	0.71%	35,683	0.70%	9,185	0.22%
Long-term	38,649	3.77%	38,725	3.77%	69,211	4.01%
Total borrowed funds	61,874	2.62%	74,408	2.30%	78,396	3.57%
Total Interest-bearing Liabilities	815,036	0.46%	810,844	0.45%	838,709	0.56%
Demand deposits	215,443		208,163		220,839	
Other liabilities	8,304		7,378		7,756	
Total Liabilities	1,038,783		1,026,385		1,067,304	
Stockholders' equity, excluding other comprehensive income/loss						
	181,882		183,376		181,683	
Other comprehensive income/loss	5,065		4,631		6,720	
Total Stockholders' Equity	186,947		188,007		188,403	
Total Liabilities and Stockholders' Equity	\$1,225,730		\$1,214,392		\$1,255,707	
Interest Rate Spread		3.63%		3.68%		3.53%
Net Interest Income/Earning Assets		3.76%		3.81%		3.69%
Total Deposits (Interest-bearing and Demand)						
	\$968,605		\$944,599		\$981,152	

(1) Rates of return on tax-exempt securities and loans are presented on a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 35%.

(2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.

Analysis of Average Daily Balances and Rates
(Dollars in Thousands)

	6 Months Ended 6/30/2016 Average Balance	Rate of Return/ Cost of Funds %	6 Months Ended 6/30/2015 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Available-for-sale securities, at amortized cost:				
Taxable	\$301,744	2.06%	\$388,909	2.11%
Tax-exempt	107,029	5.01%	117,044	5.34%
Total available-for-sale securities	408,773	2.83%	505,953	2.85%
Interest-bearing due from banks	22,299	0.54%	24,468	0.42%
Loans held for sale	496	5.68%	117	8.62%
Loans receivable:				
Taxable	645,586	5.00%	587,370	5.31%
Tax-exempt	61,173	4.52%	45,495	5.00%
Total loans receivable	706,759	4.96%	632,865	5.29%
Total Earning Assets	1,138,327	4.11%	1,163,403	4.13%
Cash	16,055		16,602	
Unrealized gain/loss on securities	7,396		10,442	
Allowance for loan losses	(7,844)		(7,308)	
Bank premises and equipment	15,424		16,173	
Intangible Asset - Core Deposit Intangible	27		47	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	38,734		37,603	
Total Assets	\$1,220,061		\$1,248,904	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$196,030	0.14%	\$195,560	0.11%
Money market	196,205	0.17%	195,690	0.15%
Savings	131,178	0.10%	128,369	0.10%
Certificates of deposit	115,618	0.73%	122,322	0.69%
Individual Retirement Accounts	104,796	0.42%	112,780	0.41%
Other time deposits	972	0.00%	965	0.00%
Total interest-bearing deposits	744,799	0.27%	755,686	0.26%
Borrowed funds:				
Short-term	29,454	0.70%	7,610	0.16%
Long-term	38,687	3.77%	71,105	4.02%
Total borrowed funds	68,141	2.44%	78,715	3.65%
Total Interest-bearing Liabilities	812,940	0.45%	834,401	0.58%
Demand deposits	211,803		217,945	
Other liabilities	7,841		7,937	
Total Liabilities	1,032,584		1,060,283	
Stockholders' equity, excluding other comprehensive income/loss				
	182,629		181,813	
Other comprehensive income/loss	4,848		6,808	
Total Stockholders' Equity	187,477		188,621	
Total Liabilities and Stockholders' Equity	\$1,220,061		\$1,248,904	
Interest Rate Spread		3.66%		3.55%
Net Interest Income/Earning Assets		3.79%		3.71%
Total Deposits (Interest-bearing and Demand)	\$956,602		\$973,631	

(1) Rates of return on tax-exempt securities and loans are presented on a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 35%.

(2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.

COMPARISON OF NONINTEREST INCOME
(In Thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Service charges on deposit accounts	\$1,164	\$1,138	\$1,305	\$2,302	\$2,327
Service charges and fees	123	94	123	217	236
Trust and financial management revenue	1,251	1,144	1,241	2,395	2,355
Brokerage revenue	180	173	206	353	425
Insurance commissions, fees and premiums	27	21	23	48	63
Interchange revenue from debit card transactions	487	463	500	950	974
Net gains from sales of loans	295	168	183	463	330
Decrease in fair value of servicing rights	(108)	(71)	(33)	(179)	(150)
Increase in cash surrender value of life insurance	93	96	102	189	199
Other operating income	394	464	312	858	759
Total other operating income, before realized gains on available-for-sale securities, net	\$3,906	\$3,690	\$3,962	\$7,596	\$7,518

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2016	March 31, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Salaries and wages	\$3,913	\$3,887	\$3,603	\$7,800	\$7,090
Pensions and other employee benefits	1,002	1,437	935	2,439	2,320
Occupancy expense, net	560	609	640	1,169	1,362
Furniture and equipment expense	439	427	467	866	921
FDIC Assessments	155	142	148	297	299
Pennsylvania shares tax	323	322	317	645	635
Professional fees	282	289	140	571	296
Automated teller machine and interchange expense	267	249	255	516	501
Software subscriptions	251	241	211	492	408
Other operating expense	1,343	1,469	1,248	2,812	2,665
Total noninterest expense, before loss on prepayment of borrowings	8,535	9,072	7,964	17,607	16,497
Loss on prepayment of borrowings	0	0	910	0	910
Total noninterest expense	\$8,535	\$9,072	\$8,874	\$17,607	\$17,407