

January 13, 2016

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**C&N ANNOUNCES FOURTH QUARTER 2015 UNAUDITED FINANCIAL RESULTS
FOR IMMEDIATE RELEASE:**

Wellsboro, PA – Citizens & Northern Corporation (C&N) announced its unaudited, consolidated financial results for the three-month and annual periods ended December 31, 2015.

Net income in the fourth quarter 2015 was \$0.33 per diluted share, as compared to \$0.35 per diluted share in the third quarter 2015 and the fourth quarter 2014. For the year ended December 31, 2015, net income per diluted share was \$1.35 as compared to \$1.38 in 2014. The return on average assets for the 2015 was 1.32%, and the return on average equity was 8.72%.

Highlights related to C&N's earnings results were as follows:

- Net interest income of \$9,949,000 in the fourth quarter 2015 was down slightly from \$10,008,000 in the third quarter 2015 and down \$262,000 (2.6%) from the fourth quarter 2014 amount. On an annual basis, 2015 net interest income of \$39,917,000 was down \$970,000 (2.4%) from 2014. The net interest margin improved slightly to 3.69% in the fourth quarter 2015 as compared to 3.66% in the third quarter 2015, and was slightly lower than the 3.73% margin in the fourth quarter 2014. The reduction in net interest income in the most recent quarter reflected a reduction in earning assets, as the Pennsylvania state budget impasse led to reduced deposit balances held by municipal entities such as school districts, local governments and human service agencies. The reduction in municipal deposits led to average total deposits being \$28.9 million (3.0%) lower in the fourth quarter 2015 than in the previous quarter and \$23.6 million (2.4%) lower than the fourth quarter 2014 amount. In part due to lower deposit funding, the average balance of available-for-sale securities was \$40.9 million lower in the fourth quarter 2015 as compared to the third quarter 2015. For the year ended December 31, 2015, the net interest margin of 3.69% was down from 3.80% in 2014. The decrease in margin in 2015 has resulted from reductions in yields on earning assets, mainly loans and available-for-sale securities, accompanied by a smaller decrease in average rates paid on deposits and borrowed funds.
- The provision for loan losses was \$319,000 in the fourth quarter 2015, up slightly from \$302,000 in the third quarter 2015 and up from \$123,000 in the fourth quarter 2014. For the year ended December 31, 2015, the provision for loan losses totaled \$845,000, up from \$476,000 for 2014. The higher provision for loan losses in the fourth quarter and year for 2015 reflects an increase in loans outstanding, which resulted in an increase in the collectively determined portion of the allowance for loan losses.
- Total noninterest revenue of \$3,994,000 in the fourth quarter 2015 was up slightly from the third quarter 2015 amount of \$3,961,000, and up \$192,000 (5.0%) from the fourth quarter 2014 amount. Noninterest revenue totaled \$15,404,000 for year ended December 31, 2015, down slightly from \$15,420,000 in 2014. C&N recognized a gain of \$212,000 in the fourth quarter 2015 from a life insurance arrangement in which benefits were split between the Company and the heirs of a former employee. Also within noninterest revenue, gains from sales of residential mortgages and service charges on deposit accounts were lower in the fourth quarter 2015 as compared to the third quarter 2015. The most significant changes in components of noninterest revenue for the year ended December 31, 2015 as compared to the corresponding period in 2014 included the following: (1) decrease of \$161,000 (3.2%) in service charges on deposit accounts, primarily as a result of lower overdraft fees; (2) reduction of \$135,000 as the fair

value of servicing rights declined \$162,000 in 2015 as compared to \$27,000 in 2014; (3) net increase in revenues from Trust and brokerage services of \$74,000 (1.4%); and (4) an increase in other operating income of \$315,000, including the fourth quarter 2015 life insurance-related gain previously described, an increase of \$36,000 in dividends from Federal Home Loan Bank of Pittsburgh stock and an increase of \$28,000 in revenue from merchant services.

- In the fourth quarter 2015, C&N had realized gains from securities of \$1,776,000 and recognized a loss from prepayment of a borrowing of \$1,663,000. In comparison, realized gains from securities totaled \$79,000 in the third quarter 2015 and \$210,000 in the fourth quarter 2014. The borrowing that was paid off in the fourth quarter 2015 was a \$24 million repurchase agreement with a maturity date of December 20, 2017 and an interest rate of 4.265%. C&N opted to prepay the borrowing and has funded the prepayment with a series of short-term borrowings at an average rate of 0.86%. C&N sold a significant portion of its investments in stocks of banks and bank holding companies in the fourth quarter 2015, generating realized gains totaling \$1,744,000. Management has estimated the combined result of the debt prepayment and reinvestment of proceeds from sales of the stocks will make a positive contribution in 2016 to fully taxable net interest income of approximately \$524,000. For the year ended December 31, 2015, realized gains from available-for-sale securities totaled \$2,861,000 and losses from prepayment of borrowings totaled \$2,573,000; in comparison, in 2014, realized gains from securities totaled \$1,104,000 and there were no losses from prepayment of borrowings.
- Noninterest expenses, excluding loss on prepayment of borrowings, totaled \$8,411,000 in the fourth quarter 2015, up from \$8,117,000 in the third quarter 2015 and \$8,250,000 in the fourth quarter 2014. For the year ended December 31, 2015, noninterest expenses, excluding loss on prepayment of borrowings, totaled \$32,956,000, down \$1,201,000 (3.5%) from 2014. Salaries and wages expense increased \$104,000, and pensions and other employee benefits expense increased \$68,000, in the fourth quarter 2015 as compared to the third quarter 2015 amounts. The increase in the most recent quarter in salaries and wages reflected the inclusion for the full quarter of a few personnel additions in the second half of the year, including lending and operations staff. The increase in the most recent quarter in employee benefits expense included an increase in health insurance expense resulting from higher claims on C&N's partially self-insured plan. Other increases in noninterest expense in the fourth quarter 2015 as compared to the prior quarter include an increase in professional fees of \$47,000, mainly from outsourced loan review expense, an increase in software subscriptions of \$50,000 resulting from a catch-up adjustments on billings from a computer services vendor and an increase in other operating expense of \$75,000, which included the effect of a \$69,000 sales tax refund that had reduced expenses in the third quarter. The increase in noninterest expenses in the fourth quarter 2015 as compared to the fourth quarter 2014 included an increase in salaries and wages of \$286,000 due to the addition of new personnel, including the CEO and additional lending staff. Pensions and other employee benefits expense was \$122,000 lower in the fourth quarter 2015 as compared to the fourth quarter 2014 reflecting a pension charge for a partial plan settlement in 2014. Other operating expense was \$128,000 higher in the fourth quarter 2015 than in the same period in 2014, reflecting increased expenses associated with employee training and development. The reduction in noninterest expenses for the year ended December 31, 2015 as compared to the corresponding period in 2014 included the following: (1) a reduction in salaries and wages expenses of \$439,000, mainly due to severance expenses in 2014; (2) a reduction in employee benefit-related expenses of \$349,000 due to lower employee health insurance expense as a result of lower claims; (3) a reduction in Pennsylvania shares tax expense of \$176,000, mainly as a result of an increase in tax credits; (4) a reduction in professional fees expense of \$161,000, as 2014 included expenses associated with an executive search; and (5) a reduction in other expenses of \$182,000, including reductions in expenses from loan collection, other real estate properties and attorneys' fees.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,223,417,000 at December 31, 2015, as compared to \$1,232,531,000 at September 30, 2015 and \$1,241,963,000 at December 31, 2014.
- Net loans outstanding (excluding mortgage loans held for sale) were \$696,991,000 at December 31, 2015, up from \$672,449,000 at September 30, 2015 and up 11.8% from \$623,209,000 at December 31, 2014. In comparing outstanding balances at December 31, 2015 and 2014, total residential mortgage loans increased \$19.7 million, or 5.4%, and total commercial loans increased \$54.2 million, or 21.4%. The major components of the growth in commercial loans outstanding were an increase in loan participations with other financial entities of \$28.1 million and an increase in loans to political subdivisions (municipal loans) of \$22.5 million. In 2015, average total loans for the year amounted to \$657,727,000 or \$30.0 million (4.8%) more than the corresponding amount for 2014.
- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$152,448,000 at December 31, 2015 as compared to \$152,275,000 at September 30, 2015 and \$152,505,000 at December 31, 2014.
- Total nonperforming assets as a percentage of assets was 1.31% at December 31, 2015 as compared to 1.28% at September 30, 2015 and 1.34% at December 31, 2014.
- Deposits and repo sweep accounts totaled \$940,530,000 at December 31, 2015, down from \$966,856,000 at September 30, 2015 and \$973,526,000 at December 31, 2014. As noted above, municipal deposits were down significantly in the fourth quarter 2015 as a result of the Pennsylvania state budget impasse and related delays in funding municipal entities.
- Total shareholders' equity was \$187,487,000 at December 31, 2015 as compared to \$190,100,000 at September 30, 2015 and \$188,362,000 at December 31, 2014. Tangible common equity as a percentage of tangible assets was 14.49% at December 31, 2015, up from 14.34% a year earlier. In July 2014, C&N announced a common stock repurchase plan for the repurchase of up to 622,500 shares, or 5% of the total shares outstanding on July 16, 2014. In the fourth quarter 2015, 23,800 shares were repurchased for a total cost of \$471,000, at an average price of \$19.79 per share. Cumulatively through December 31, 2015, 435,200 shares had been repurchased for a total cost of \$8,417,000, at an average price of \$19.34 per share.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$814,788,000 at December 31, 2015, down 1.4% from a year earlier, reflecting the effect of a decrease in overall valuations of U.S. stocks.

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.

December 31, 2015

QUARTERLY REPORT

Dear Shareholder:

"Creating Value Through Lifelong Relationships" is the Vision that has driven our efforts for more than 150 years, and continues to be the rallying call across the organization. Your Team is fully engaged in building on a very strong foundation to grow the franchise, consistent with this Vision, and to continue delivering long-term value to our Shareholders. During the fourth quarter of 2015, we maintained momentum in building customer relationships with loan growth totaling \$25 million, which included increases in commercial, mortgage, and consumer categories. Each new loan involves a customer relationship that can be enhanced by the value delivered through our team of professional bankers and wealth managers. To reinforce this focus and further energize the Team, we had a kick-off event that engaged the entire Team in building a culture that aligns with our Vision.

We also completed work on a new website which will be rolled out by the end of January. This site provides new capabilities and will serve as the foundation for enhancing on-line services moving forward that will simplify and provide greater access to our customers. More to come throughout 2016 on this front.

I am very proud of our Team's commitment to engaging in our communities, as well. The results of our "Giving Back, Giving Together" initiative for 2015 to support the local food banks throughout our markets are described in the "Commitment to Community" article included in this edition of banCNotes. We produced amazing results and we will be working to support first responders in a similar fashion during 2016.

While we continue to invest in our people, future capacity, and communities, we also produced solid financial performance. Earnings per share were \$.33 for the fourth quarter of 2015 as compared to \$.35 in the third quarter of 2015 and the fourth quarter of 2014. For the year ended December 31, 2015, diluted earnings per share was \$1.35 as compared to \$1.38 in 2014. Return on average assets for 2015 was 1.32% and return on average equity was 8.72%.

Net interest income decreased slightly during the quarter due to a reduction in earning assets. This decline was primarily driven by lower municipal deposits resulting from the Pennsylvania state budget impasse, with an offsetting reduction in investment securities. The net interest margin during the fourth quarter was 3.69% as compared to 3.66% during the third quarter of 2015 and 3.73% in the fourth quarter of 2014. The Federal Reserve raised its target federal funds rate during December for the first time in nearly ten years. This change had virtually no impact on fourth quarter net interest income, and any significant impact on 2016 results will depend on additional Fed action to increase rates and any changes to the shape of the yield curve.

In the fourth quarter we continued efforts to support the future net interest margin by realizing gains on the sale of bank and bank holding company stocks totaling \$1,744,000, and recognizing losses from prepayment of a borrowing of \$1,663,000. We estimate that the combined impact of the debt prepayment and reinvestment of the proceeds from the stock sales will increase the fully taxable equivalent net interest margin by approximately \$524,000 during 2016.

The provision for loan losses was \$319,000 during the fourth quarter, as compared to \$302,000 during the third quarter of 2015. For the year ended December 31, 2015 the provision totaled \$845,000 up from \$476,000 in

2014, reflecting additions to the allowance for loan losses to support strong loan growth during the quarter and for the year. Credit quality remains strong as reflected by stable past due and non-performing loan metrics at December 31, 2015 compared to a year earlier.

Noninterest income, excluding securities gains increased during the fourth quarter of 2015 to \$3.99 million as compared to \$3.96 million in the third quarter and \$3.80 million during the fourth quarter of 2014. For all of 2015, noninterest income was \$15.4 million, essentially unchanged from 2014.

Noninterest expenses, excluding loss on prepayment of borrowings, totaled \$8.4 million in the fourth quarter 2015 up from \$8.1 million in the third quarter and \$8.25 million in the fourth quarter 2014. For the year ended December 31, 2015, noninterest expenses, excluding loss on prepayment of borrowings, were \$32.96 million, down \$1.2 million, or 3.5%, from 2014.

Total assets and deposits declined modestly during the fourth quarter of 2015 compared to the prior quarter and year ended December 31, 2014. Total loans grew by \$25 million during the fourth quarter and have increased by nearly \$74 million since year end 2014.

C&N remains in a very strong capital position by all measures. The cash dividend paid during the fourth quarter was \$.26 per share, resulting in a total payment of \$1.04 for 2015. This total produced a yield of 4.95% based on the December 31, 2015 market price of \$21.00.

We appreciate your support of C&N as both shareholders and customers and are committed to creating value through both of these relationships.



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	4TH QUARTER 2015 (Current)	4TH QUARTER 2014 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$11,036	\$11,468	(\$432)	-3.77%
Interest Expense	1,087	1,257	(170)	-13.52%
Net Interest Income	9,949	10,211	(262)	-2.57%
Provision for Loan Losses	319	123	196	159.35%
Net Interest Income After Provision for Loan Losses	9,630	10,088	(458)	-4.54%
Other Income	3,994	3,802	192	5.05%
Net Gains on Available-for-sale Securities	1,776	210	1,566	745.71%
Loss on Prepayment of Borrowings	1,663	0	1,663	
Other Noninterest Expenses	8,411	8,250	161	1.95%
Income Before Income Tax Provision	5,326	5,850	(524)	-8.96%
Income Tax Provision	1,261	1,482	(221)	-14.91%
Net Income	\$4,065	\$4,368	(\$303)	-6.94%

PER COMMON SHARE DATA:

Net Income – Basic	\$0.33	\$0.36	(\$0.03)	-8.33%
Net Income – Diluted	\$0.33	\$0.35	(\$0.02)	-5.71%
Dividend Per Share	\$0.26	\$0.26	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,180,435	12,302,646		
Number Shares Used in Computation - Diluted	12,203,951	12,325,409		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	YEARS ENDED DECEMBER 31,			
	2015 (Current)	2014 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$44,519	\$46,009	(\$1,490)	-3.24%
Interest Expense	4,602	5,122	(520)	-10.15%
Net Interest Income	39,917	40,887	(970)	-2.37%
Provision for Loan Losses	845	476	369	77.52%
Net Interest Income After Provision for Loan Losses	39,072	40,411	(1,339)	-3.31%
Other Income	15,404	15,420	(16)	-0.10%
Net Gains on Available-for-sale Securities	2,861	1,104	1,757	159.15%
Loss on Prepayment of Borrowings	2,573	0	2,573	
Other Noninterest Expenses	32,956	34,157	(1,201)	-3.52%
Income Before Income Tax Provision	21,808	22,778	(970)	-4.26%
Income Tax Provision	5,337	5,692	(355)	-6.24%
Net Income	\$16,471	\$17,086	(\$615)	-3.60%

PER COMMON SHARE DATA:

Net Income – Basic	\$1.35	\$1.38	(\$0.03)	-2.17%
Net Income – Diluted	\$1.35	\$1.38	(\$0.03)	-2.17%
Dividend Per Share	\$1.04	\$1.04	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,211,941	12,390,067		
Number Shares Used in Computation - Diluted	12,233,773	12,412,050		
Market Value (Last Trade)	\$21.00	\$20.67	\$0.33	1.60%
Price Earnings Multiple (Annualized)	15.56	14.98	0.58	3.87%
Dividend Yield (Annualized)	4.95%	5.03%	-0.08%	-1.59%

CONDENSED, CONSOLIDATED BALANCE SHEET DATA
(In Thousands, Except Per Share Data) (Unaudited)

	DEC. 31, 2015	DEC. 31, 2014	DEC. 31, 2015 vs 2014	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$36,061	\$36,047	\$14	0.04%
Available-for-sale Securities	420,290	516,807	(96,517)	-18.68%
Loans Held for Sale	280	0	280	
Loans, Net	696,991	623,209	73,782	11.84%
Intangible Assets	11,972	11,994	(22)	-0.18%
Other Assets	57,823	53,906	3,917	7.27%
TOTAL ASSETS	\$1,223,417	\$1,241,963	(\$18,546)	-1.49%
LIABILITIES				
Deposits	\$935,615	\$967,989	(\$32,374)	-3.34%
Repo Sweep Accounts	4,915	5,537	(622)	-11.23%
Total Deposits and Repo Sweeps	940,530	973,526	(32,996)	-3.39%
Borrowed Funds	87,348	73,060	14,288	19.56%
Other Liabilities	8,052	7,015	1,037	14.78%
TOTAL LIABILITIES	1,035,930	1,053,601	(17,671)	-1.68%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income	184,959	183,002	1,957	1.07%
Accumulated Other Comprehensive Income:				
Net Unrealized Gains/Losses on				
Available-for-sale Securities	2,493	5,281	(2,788)	-52.79%
Defined Benefit Plans	35	79	(44)	-55.70%
TOTAL SHAREHOLDERS' EQUITY	187,487	188,362	(875)	-0.46%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,223,417	\$1,241,963	(\$18,546)	-1.49%

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information



CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	YEARS ENDED		%
	DECEMBER 31,		INCREASE
	<u>2015</u>	<u>2014</u>	<u>(DECREASE)</u>
EARNINGS PERFORMANCE			
Net Income	\$16,471	\$17,086	-3.60%
Return on Average Assets	1.32%	1.38%	-4.35%
Return on Average Equity	8.72%	9.21%	-5.32%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,223,417	\$1,241,963	-1.49%
Available-for-Sale Securities	420,290	516,807	-18.68%
Loans (Net)	696,991	623,209	11.84%
Allowance for Loan Losses	7,889	7,336	7.54%
Deposits and Repo Sweep Accounts	940,530	973,526	-3.39%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	152,448	152,505	-0.04%
Trust Assets Under Management	814,788	825,918	-1.35%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$1.35	\$1.38	-2.17%
Net Income - Diluted	\$1.35	\$1.38	-2.17%
Dividends	\$1.04	\$1.04	0.00%
Common Book Value	\$15.39	\$15.34	0.33%
Tangible Common Book Value	\$14.41	\$14.36	0.35%
Market Value (Last Trade)	\$21.00	\$20.67	1.60%
Market Value / Common Book Value	136.45%	134.75%	1.26%
Market Value / Tangible Common Book Value	145.73%	143.94%	1.24%
Price Earnings Multiple (Annualized)	15.56	14.98	3.87%
Dividend Yield (Annualized)	4.95%	5.03%	-1.59%
Common Shares Outstanding, End of Period	12,180,623	12,279,980	-0.81%
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets	14.49%	14.34%	1.05%
Nonperforming Assets / Total Assets	1.31%	1.34%	-2.24%
Allowance for Loan Losses / Total Loans	1.12%	1.16%	-3.45%
Total Risk Based Capital Ratio (a)	24.45%	27.60%	-11.41%
Tier 1 Risk Based Capital Ratio (a)	23.40%	26.26%	-10.89%
Common Equity Tier 1 Risk Based Capital Ratio (a)	23.40%		
Leverage Ratio (a)	14.31%	13.89%	3.02%
AVERAGE BALANCES			
Average Assets	\$1,243,209	\$1,239,897	0.27%
Average Equity	\$188,905	\$185,469	1.85%

(a) Capital ratios for the most recent period are estimated. The Common Equity Tier 1 Risk Based Capital Ratio became applicable to the Corporation in the first quarter 2015.

QUARTERLY CONDENSED, CONSOLIDATED INCOME STATEMENT INFORMATION

(In Thousands) (Unaudited)

For the Three Months Ended:

	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014
Interest income	\$11,036	\$11,134	\$11,186	\$11,163	\$11,468	\$11,572	\$11,563	\$11,406
Interest expense	1,087	1,126	1,176	1,213	1,257	1,287	1,290	1,288
Net interest income	9,949	10,008	10,010	9,950	10,211	10,285	10,273	10,118
Provision (credit) for loan losses	319	302	221	3	123	218	446	(311)
Net interest income after provision (credit)								
for loan losses	9,630	9,706	9,789	9,947	10,088	10,067	9,827	10,429
Other income	3,994	3,961	3,962	3,487	3,802	3,887	3,980	3,751
Net gains on available-for-sale securities	1,776	79	932	74	210	760	103	31
Loss on prepayment of borrowings	1,663	0	910	0	0	0	0	0
Other expenses	8,411	8,117	7,964	8,464	8,250	9,036	8,347	8,524
Income before income tax provision	5,326	5,629	5,809	5,044	5,850	5,678	5,563	5,687
Income tax provision	1,261	1,395	1,452	1,229	1,482	1,411	1,400	1,399
Net income	\$4,065	\$4,234	\$4,357	\$3,815	\$4,368	\$4,267	\$4,163	\$4,288
Net income per share – basic	\$0.33	\$0.35	\$0.36	\$0.31	\$0.36	\$0.34	\$0.33	\$0.35
Net income per share – diluted	\$0.33	\$0.35	\$0.36	\$0.31	\$0.35	\$0.34	\$0.33	\$0.34

QUARTERLY CONDENSED, CONSOLIDATED BALANCE SHEET INFORMATION

(In Thousands) (Unaudited)

As of:

	Dec. 31, 2015	Sept. 30, 2015	Dec. 31, 2014
ASSETS			
Cash & Due from Banks	\$36,061	\$32,221	\$36,047
Available-for-Sale Securities	420,290	461,713	516,807
Loans Held for Sale	280	76	0
Loans, Net	696,991	672,449	623,209
Intangible Assets	11,972	11,978	11,994
Other Assets	57,823	54,094	53,906
TOTAL ASSETS	\$1,223,417	\$1,232,531	\$1,241,963
LIABILITIES			
Deposits	\$935,615	\$961,112	\$967,989
Repo Sweep Accounts	4,915	5,744	5,537
Total Deposits and Repo Sweeps	940,530	966,856	973,526
Borrowed Funds	87,348	67,342	73,060
Other Liabilities	8,052	8,233	7,015
TOTAL LIABILITIES	1,035,930	1,042,431	1,053,601
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity, Excluding			
Accumulated Other Comprehensive Income/ Loss	184,959	183,978	183,002
Accumulated Other Comprehensive Income/ Loss:			
Net Unrealized Gains/Losses on			
Available-for-sale Securities	2,493	6,116	5,281
Defined Benefit Plans Adjustment, Net	35	6	79
TOTAL SHAREHOLDERS' EQUITY	187,487	190,100	188,362
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,223,417	\$1,232,531	\$1,241,963

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	December 31, 2015		September 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$10,663	\$10,483	\$15,664	\$15,621	\$27,221	\$26,676
Obligations of states and political subdivisions:						
Tax-exempt	103,414	107,757	108,115	112,396	120,086	124,839
Taxable	34,317	34,597	34,464	35,124	33,637	33,878
Mortgage-backed securities	73,227	73,343	71,681	72,697	82,479	83,903
Collateralized mortgage obligations, Issued by U.S. Government agencies	193,145	191,715	216,981	218,052	239,620	238,823
Other collateralized debt obligations	9	9	34	34	34	34
Total debt securities	414,775	417,904	446,939	453,924	503,077	508,153
Marketable equity securities	1,680	2,386	5,365	7,789	5,605	8,654
Total	\$416,455	\$420,290	\$452,304	\$461,713	\$508,682	\$516,807

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

	Dec. 31, 2015	Sept. 30, 2015	Dec. 31, 2014
Residential mortgage:			
Residential mortgage loans - first liens	\$304,783	\$298,096	\$291,882
Residential mortgage loans - junior liens	21,146	20,601	21,166
Home equity lines of credit	39,040	38,585	36,629
1-4 Family residential construction	21,121	23,633	16,739
Total residential mortgage	386,090	380,915	366,416
Commercial:			
Commercial loans secured by real estate	154,779	135,760	145,878
Commercial and industrial	75,196	72,011	50,157
Political subdivisions	40,007	40,186	17,534
Commercial construction and land	5,122	6,852	6,938
Loans secured by farmland	7,019	7,521	7,916
Multi-family (5 or more) residential	9,188	9,181	8,917
Agricultural loans	4,671	4,588	3,221
Other commercial loans	12,152	12,691	13,334
Total commercial	308,134	288,790	253,895
Consumer	10,656	10,160	10,234
Total	704,880	679,865	630,545
Less: allowance for loan losses	(7,889)	(7,416)	(7,336)
Loans, net	\$696,991	\$672,449	\$623,209

**Loans Held for Sale
(In Thousands)**

	Dec. 31, 2015	Sept. 30, 2015	Dec. 31, 2014
Residential mortgage loans originated and serviced - outstanding balance	\$152,728	\$152,351	\$152,505
Less: outstanding balance of loans sold	(152,448)	(152,275)	(152,505)
Loans held for sale, net	\$280	\$76	\$0

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended Dec. 31, 2015	3 Months Ended Sept. 30, 2015	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Balance, beginning of period	\$7,416	\$7,300	\$7,336	\$8,663
Charge-offs	(66)	(197)	(562)	(2,139)
Recoveries	220	11	270	336
Net recoveries (charge-offs)	154	(186)	(292)	(1,803)
Provision for loan losses	319	302	845	476
Balance, end of period	\$7,889	\$7,416	\$7,889	\$7,336

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

	Dec 31, 2015	Sept. 30, 2015	Dec 31, 2014
Impaired loans with a valuation allowance	\$1,933	\$1,963	\$3,241
Impaired loans without a valuation allowance	8,041	7,812	9,075
Total impaired loans	\$9,974	\$9,775	\$12,316
Total loans past due 30-89 days and still accruing	\$7,057	\$4,780	\$7,121
Nonperforming assets:			
Total nonaccrual loans	\$11,517	\$11,632	\$12,610
Total loans past due 90 days or more and still accruing	3,229	2,833	2,843
Total nonperforming loans	14,746	14,465	15,453
Foreclosed assets held for sale (real estate)	1,260	1,363	1,189
Total nonperforming assets	\$16,006	\$15,828	\$16,642
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$1,267	\$1,043	\$1,807
Nonperforming	5,097	5,182	5,388
Total TDRs	\$6,364	\$6,225	\$7,195
Total nonperforming loans as a % of loans	2.09%	2.13%	2.45%
Total nonperforming assets as a % of assets	1.31%	1.28%	1.34%
Allowance for loan losses as a % of total loans	1.12%	1.09%	1.16%
Allowance for loan losses as a % of nonperforming loans	53.50%	51.27%	47.47%

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

	3 Months Ended 12/31/2015 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2015 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2014 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Available-for-sale securities, at amortized cost:						
Taxable	\$327,225	2.05%	\$361,481	2.02%	\$383,802	2.10%
Tax-exempt	105,118	4.99%	111,735	5.14%	121,735	5.22%
Total available-for-sale securities	432,343	2.76%	473,216	2.75%	505,537	2.85%
Interest-bearing due from banks	20,168	0.39%	19,774	0.44%	31,655	0.39%
Loans held for sale	406	5.86%	245	8.10%	151	7.88%
Loans receivable:						
Taxable	629,294	5.04%	610,516	5.10%	587,675	5.40%
Tax-exempt	61,339	4.52%	63,219	4.50%	39,909	5.28%
Total loans receivable	690,633	5.00%	673,735	5.05%	627,584	5.40%
Total Earning Assets	1,143,550	4.07%	1,166,970	4.04%	1,164,927	4.16%
Cash	16,390		16,961		16,310	
Unrealized gain/loss on securities	7,637		7,015		8,222	
Allowance for loan losses	(7,525)		(7,376)		(7,476)	
Bank premises and equipment	15,499		15,808		16,415	
Intangible Asset - Core Deposit Intangible	32		38		58	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	38,037		38,294		38,442	
Total Assets	\$1,225,562		\$1,249,652		\$1,248,840	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$195,439	0.11%	\$197,189	0.11%	\$190,681	0.11%
Money market	192,825	0.16%	202,106	0.15%	198,999	0.14%
Savings	127,744	0.10%	128,939	0.10%	122,955	0.10%
Certificates of deposit	116,699	0.68%	125,886	0.66%	128,750	0.73%
Individual Retirement Accounts	107,484	0.41%	109,661	0.41%	116,672	0.40%
Other time deposits	678	0.00%	1,514	0.26%	677	0.59%
Total interest-bearing deposits	740,869	0.25%	765,295	0.25%	758,734	0.27%
Borrowed funds:						
Short-term	17,395	0.39%	12,972	0.28%	6,886	0.12%
Long-term	59,929	3.96%	62,876	3.98%	73,092	4.03%
Total borrowed funds	77,324	3.16%	75,848	3.34%	79,978	3.69%
Total Interest-bearing Liabilities	818,193	0.53%	841,143	0.53%	838,712	0.59%
Demand deposits	207,534		212,022		213,230	
Other liabilities	9,149		8,803		9,144	
Total Liabilities	1,034,876		1,061,968		1,061,086	
Stockholders' equity, excluding						
other comprehensive income/loss	185,716		183,116		182,336	
Other comprehensive income/loss	4,970		4,568		5,418	
Total Stockholders' Equity	190,686		187,684		187,754	
Total Liabilities and Stockholders' Equity	\$1,225,562		\$1,249,652		\$1,248,840	
Interest Rate Spread		3.54%		3.51%		3.57%
Net Interest Income/Earning Assets		3.69%		3.66%		3.73%
Total Deposits (Interest-bearing and Demand)	\$948,403		\$977,317		\$971,964	

(1) Annualized 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.

(3) Rates of return on earning assets and costs of funds are presented on an annualized basis.

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

	Year Ended 12/31/2015 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2014 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Available-for-sale securities, at amortized cost:				
Taxable	\$366,448	2.07%	\$371,125	2.16%
Tax-exempt	112,700	5.21%	123,809	5.31%
Total available-for-sale securities	479,148	2.81%	494,934	2.95%
Interest-bearing due from banks	22,201	0.42%	32,510	0.39%
Loans held for sale	222	7.21%	204	7.84%
Loans receivable:				
Taxable	603,771	5.19%	589,120	5.45%
Tax-exempt	53,956	4.72%	38,633	5.54%
Total loans receivable	657,727	5.15%	627,753	5.46%
Total Earning Assets	1,159,298	4.09%	1,155,401	4.24%
Cash	16,639		16,865	
Unrealized gain/loss on securities	8,871		6,350	
Allowance for loan losses	(7,380)		(7,992)	
Bank premises and equipment	15,911		16,789	
Intangible Asset - Core Deposit Intangible	41		70	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	37,887		40,472	
Total Assets	\$1,243,209		\$1,239,897	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$195,940	0.11%	\$183,874	0.12%
Money market	196,585	0.15%	198,990	0.14%
Savings	128,355	0.10%	121,685	0.10%
Certificates of deposit	121,803	0.68%	134,732	0.79%
Individual Retirement Accounts	110,659	0.41%	120,016	0.39%
Other time deposits	1,031	0.10%	1,039	0.10%
Total interest-bearing deposits	754,373	0.26%	760,336	0.28%
Borrowed funds:				
Short-term	11,428	0.28%	6,744	0.13%
Long-term	66,214	4.00%	73,196	4.03%
Total borrowed funds	77,642	3.45%	79,940	3.70%
Total Interest-bearing Liabilities	832,015	0.55%	840,276	0.61%
Demand deposits	213,828		205,082	
Other liabilities	8,461		9,070	
Total Liabilities	1,054,304		1,054,428	
Stockholders' equity, excluding				
other comprehensive income/loss	183,125		181,271	
Other comprehensive income/loss	5,780		4,198	
Total Stockholders' Equity	188,905		185,469	
Total Liabilities and Stockholders' Equity	\$1,243,209		\$1,239,897	
Interest Rate Spread		3.54%		3.63%
Net Interest Income/Earning Assets		3.69%		3.80%
Total Deposits (Interest-bearing and Demand)				
	\$968,201		\$965,418	

(1) Annualized 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.

(3) Rates of return on earning assets and costs of funds are presented on an annualized basis.

COMPARISON OF NONINTEREST INCOME
(In Thousands)

	Three Months Ended			Years Ended	
	Dec. 31, 2015	Sept. 30, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Service charges on deposit accounts	\$1,235	\$1,302	\$1,213	\$4,864	\$5,025
Service charges and fees	121	137	133	494	538
Trust and financial management revenue	1,148	1,123	1,165	4,626	4,490
Brokerage revenue	199	215	219	839	901
Insurance commissions, fees and premiums	22	24	15	109	118
Interchange revenue from debit card transactions	479	482	485	1,935	1,959
Net gains from sales of loans	162	243	211	735	768
(Decrease) increase in fair value of servicing rights	(25)	13	(62)	(162)	(27)
Increase in cash surrender value of life insurance	92	95	98	386	376
Net (loss) gain from premises and equipment	0	(1)	0	(1)	8
Other operating income	561	328	325	1,579	1,264
Total other operating income, before realized gains on available-for-sale securities, net	\$3,994	\$3,961	\$3,802	\$15,404	\$15,420

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Years Ended	
	Dec. 31, 2015	Sept. 30, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Salaries and wages	\$3,848	\$3,744	\$3,562	\$14,682	\$15,121
Pensions and other employee benefits	1,084	1,016	1,206	4,420	4,769
Occupancy expense, net	589	623	626	2,574	2,628
Furniture and equipment expense	462	477	460	1,860	1,859
FDIC Assessments	149	155	156	603	600
Pennsylvania shares tax	297	311	336	1,174	1,350
Professional fees	175	128	272	538	699
Automated teller machine and interchange expense	253	234	256	988	924
Software subscriptions	259	209	209	876	784
Other operating expense	1,295	1,220	1,167	5,241	5,423
Total noninterest expense, before loss on prepayment of borrowings	8,411	8,117	8,250	32,956	34,157
Loss on prepayment of borrowings	1,663	0	0	2,573	0
Total noninterest expense	\$10,074	\$8,117	\$8,250	\$35,529	\$34,157