

 **CITIZENS & NORTHERN CORPORATION**

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Stock Symbol: CZNC

Chartered 1864

FEDERAL DEPOSIT INSURANCE CORP

**June 30, 2014**

## **QUARTERLY REPORT**

Dear Shareholder:

Net income of \$8,451,000 for the first six months of 2014 remained respectable as evidenced by a Return on Average Assets (ROAA) of 1.38%. First half 2014 net income was 12.70% less than the first half of 2013. There were two major reasons for the decline. First, net interest income after provision for loan losses for the first six months of 2014 declined \$1,482,000 compared to the first six months of 2013 due to cash flows being reinvested at considerably lower yields causing margin compression. Secondly, as mortgage refinancing has slowed, net gains from sales of loans decreased \$640,000 as compared to the first half of 2013. On a positive note noninterest expenses were reduced by \$202,000.

Total assets grew 2.27% as compared to one year ago though loans continued to decline by 5.16% due to soft loan demand. Deposits and Repo Sweep Accounts increased by 3.01% over the last twelve months, and borrowed funds were reduced by \$12,271,000. Trust Assets Under Management increased to \$824,279,000, a robust increase of 13.28%.

Capital ratios remain strong and dividends of 52 cents per share were paid during the first six months of 2014 which represents a 4.0% increase over the prior year. Based on a quarter ending market share price of \$19.49 the dividend payout represents a very attractive 5.34% yield.

As shareholders, we continue to solicit your support and stand willing to address any concern you may have.

Charles H. Updegraff, Jr.  
Chairman, President & CEO

## BOARD OF DIRECTORS

Charles H. Updegraff, Jr. - Chairman

Dennis F. Beardslee  
Jan E. Fisher  
R. Bruce Haner  
Susan E. Hartley  
Leo F. Lambert

Raymond R. Mattie  
Edward H. Owlett, III  
Leonard Simpson  
James E. Towner  
Ann M. Tyler

## CITIZENS & NORTHERN BANK

1-877-838-2517

### OFFICES

428 S. Main Street, **ATHENS**, PA 18810  
3 Main Street, **CANISTEO**, NY 14823  
10 N Main Street, **COUDERSPORT**, PA 16915  
111 Main Street, **DUSHORE**, PA 18614  
563 Main Street, **EAST SMITHFIELD**, PA 18817  
104 Main Street, **ELKLAND**, PA 16920  
135 East Fourth Street, **EMPORIUM**, PA 15834  
6250 County Route 64, **HORNELL**, NY 14843  
230-232 Railroad Street, **JERSEY SHORE**, PA 17740  
102 E. Main Street, **KNOXVILLE**, PA 16928  
514 Main Street, **LAPORTE**, PA 18626  
4534 Williamson Trail **LIBERTY**, PA 16930  
1085 S. Main Street, **MANSFIELD**, PA 16933  
612 James Monroe Avenue, **MONROETON**, PA 18832  
3461 Rte.405 Highway, **MUNCY**, PA 17756  
100 Maple Street, **PORT ALLEGANY**, PA 16743  
24 Thompson Street, **RALSTON**, PA 17763  
1827 Elmira Street, **SAYRE**, PA 18840  
2 E. Mountain Ave., **SO. WILLIAMSPORT**, PA 17702  
41 Main Street, **TIOGA**, PA 16946  
428 Main Street, **TOWANDA**, PA 18848  
Court House Square, **TROY**, PA 16947  
90-92 Main Street, **WELLSBORO**, PA 16901  
130 Court Street, **WILLIAMSPORT**, PA 17701  
1510 Dewey Ave., **WILLIAMSPORT**, PA 17702  
Route 6, **WYSOX**, PA 18854

## TRUST & FINANCIAL MANAGEMENT GROUP

3 Main Street, **Canisteo**, NY 14823  
10 N Main Street, **Coudersport**, PA 16915  
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**BANKCARD SERVICES** - 90-92 Main St., Wellsboro PA 16901  
**ELECTRONIC BANKING** – 10 Nichols St., Wellsboro, PA 16901  
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**C&N FINANCIAL SERVICES CORPORATION** – 90-92 Main Street, Wellsboro, PA  
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866-ASK-CNFS

## CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	2ND QUARTER 2014 (Current)	1ST QUARTER 2014 (Prior Qtr)	2ND QUARTER 2013 (Prior Yr)	6 MONTHS ENDED JUNE 30, 2014 (Current)      2013 (Prior Yr)	
Interest and Dividend Income	\$11,563	\$11,406	\$12,355	\$22,969	\$25,002
Interest Expense	1,290	1,288	1,415	2,578	3,015
Net Interest Income	10,273	10,118	10,940	20,391	21,987
Provision (Credit) for Loan Losses	446	(311)	66	135	249
Net Interest Income After Provision (Credit) for Loan Losses	9,827	10,429	10,874	20,256	21,738
Other Income	3,980	3,751	4,191	7,731	8,034
Net Gains on Available-for-sale Securities	103	31	100	134	1,259
Loss on Prepayment of Borrowings	0	0	0	0	1,023
Other Noninterest Expenses	8,347	8,524	8,520	16,871	17,073
Income Before Income Tax Provision	5,563	5,687	6,645	11,250	12,935
Income Tax Provision	1,400	1,399	1,671	2,799	3,255
<b>Net Income</b>	<b>\$4,163</b>	<b>\$4,288</b>	<b>\$4,974</b>	<b>\$8,451</b>	<b>\$9,680</b>

#### PER COMMON SHARE DATA:

Net Income - Basic	\$0.33	\$0.35	\$0.40	\$0.68	\$0.78
Net Income - Diluted	\$0.33	\$0.34	\$0.40	\$0.68	\$0.78
Dividend Per Share	\$0.26	\$0.26	\$0.25	\$0.52	\$0.50
Number Shares Used in Computation - Basic	12,441,679	12,417,627	12,342,755	12,429,717	12,331,943
Number Shares Used in Computation - Diluted	12,459,384	12,444,797	12,369,311	12,451,459	12,359,284

#### CONDENSED, CONSOLIDATED BALANCE SHEET DATA

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

	JUNE 30, 2014	MAR. 31, 2014	JUNE 30, 2013
<b>ASSETS</b>			
Cash & Due from Banks	\$59,948	\$61,087	\$35,776
Available-for-sale Securities	512,748	484,014	470,068
Loans Held for Sale	0	133	725
Loans, Net	614,347	617,475	647,772
Intangible Assets	12,012	12,020	12,055
Other Assets	57,150	60,410	61,948
<b>TOTAL ASSETS</b>	<b>\$1,256,205</b>	<b>\$1,235,139</b>	<b>\$1,228,344</b>
<b>LIABILITIES</b>			
Deposits	\$979,239	\$961,833	\$950,769
Repo Sweep Accounts	4,637	4,730	4,387
Total Deposits and Repo Sweeps	983,876	966,563	955,156
Borrowed Funds	73,201	73,270	85,472
Other Liabilities	9,955	10,544	8,355
<b>TOTAL LIABILITIES</b>	<b>1,067,032</b>	<b>1,050,377</b>	<b>1,048,983</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	183,757	182,220	176,681
Accumulated Other Comprehensive Income (Loss):			
Net Unrealized Gains/Losses on			
Available-for-sale Securities	5,316	2,442	2,832
Defined Benefit Plans	100	100	(152)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>189,173</b>	<b>184,762</b>	<b>179,361</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$1,256,205</b>	<b>\$1,235,139</b>	<b>\$1,228,344</b>

#### CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	<b>6 MONTHS ENDED</b>		<b>% INCREASE (DECREASE)</b>
	<b>JUNE 30,</b>		
	<b><u>2014</u></b>	<b><u>2013</u></b>	
<b>EARNINGS PERFORMANCE</b>			
Net Income	\$8,451	\$9,680	-12.70%
Return on Average Assets	1.38%	1.56%	-11.54%
Return on Average Equity	9.16%	10.57%	-13.34%
<b>BALANCE SHEET HIGHLIGHTS</b>			
Total Assets	\$1,256,205	\$1,228,344	2.27%
Available-for-Sale Securities	512,748	470,068	9.08%
Loans (Net)	614,347	647,772	-5.16%
Allowance for Loan Losses	7,267	7,198	0.96%
Deposits and Repo Sweep Accounts	983,876	955,156	3.01%
<b>OFF-BALANCE SHEET</b>			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	150,725	126,489	19.16%
Trust Assets Under Management	824,279	727,647	13.28%
<b>SHAREHOLDERS' VALUE (PER COMMON SHARE)</b>			
Net Income - Basic	\$0.68	\$0.78	-12.82%
Net Income - Diluted	\$0.68	\$0.78	-12.82%
Dividends	\$0.52	\$0.50	4.00%
Common Book Value	\$15.19	\$14.52	4.61%
Tangible Common Book Value	\$14.23	\$13.55	5.02%
Market Value (Last Trade)	\$19.49	\$19.32	0.88%
Market Value / Common Book Value	128.31%	133.06%	-3.57%
Market Value / Tangible Common Book Value	136.96%	142.58%	-3.94%
Price Earnings Multiple	14.33	12.38	15.75%
Dividend Yield	5.34%	5.18%	3.09%
Common Shares Outstanding, End of Period	12,450,005	12,351,522	0.80%
<b>SAFETY AND SOUNDNESS</b>			
Tangible Common Equity / Tangible Assets	14.24%	13.76%	3.49%
Nonperforming Assets / Total Assets	1.44%	0.80%	80.00%
Allowance for Loan Losses / Total Loans	1.17%	1.10%	6.36%
Total Risk Based Capital Ratio (a)	27.59%	25.75%	7.15%
Tier 1 Risk Based Capital Ratio (a)	26.27%	24.49%	7.27%
Leverage Ratio (a)	14.06%	13.51%	4.07%
<b>AVERAGE BALANCES</b>			
Average Assets	\$1,228,111	\$1,243,433	-1.23%
Average Equity	\$184,470	\$183,111	0.74%

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


**CITIZENS & NORTHERN CORPORATION**

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	June 30, 2014		March 31, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$29,162	\$28,452	\$29,667	\$28,523	\$47,382	\$45,877
Obligations of states and political subdivisions:						
Tax-exempt	123,140	127,593	124,282	127,179	127,748	128,426
Taxable	34,577	34,717	33,833	33,624	35,154	34,471
Mortgage-backed securities	91,051	93,613	91,178	92,930	84,849	86,208
Collateralized mortgage obligations,						
Issued by U.S. Government agencies	219,858	218,506	194,508	192,066	182,372	178,092
Other collateralized debt obligations	660	660	660	660	660	660
Total debt securities	498,448	503,541	474,128	474,982	478,165	473,734
Marketable equity securities	6,122	9,207	6,128	9,032	6,038	8,924
Total	\$504,570	\$512,748	\$480,256	\$484,014	\$484,203	\$482,658

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

	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	June 30, 2013
Residential mortgage:				
Residential mortgage loans - first liens	\$291,690	\$295,869	\$299,831	\$304,806
Residential mortgage loans - junior liens	22,401	23,048	23,040	24,797
Home equity lines of credit	34,633	34,755	34,530	33,076
1-4 Family residential construction	13,948	12,635	13,909	14,895
Total residential mortgage	362,672	366,307	371,310	377,574
Commercial:				
Commercial loans secured by real estate	145,934	146,569	147,215	155,168
Commercial and industrial	46,778	40,477	42,387	45,812
Political subdivisions	11,617	10,436	16,291	24,033
Commercial construction and land	8,550	14,692	17,003	20,189
Loans secured by farmland	8,380	8,602	10,468	11,134
Multi-family (5 or more) residential	10,548	10,906	10,985	6,397
Agricultural loans	3,116	3,159	3,251	3,061
Other commercial loans	13,816	14,343	14,631	543
Total commercial	248,739	249,184	262,231	266,337
Consumer	10,203	10,327	10,762	11,059
Total	621,614	625,818	644,303	654,970
Less: allowance for loan losses	(7,267)	(8,343)	(8,663)	(7,198)
Loans, net	\$614,347	\$617,475	\$635,640	\$647,772

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

	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	June 30, 2013
Residential mortgage loans originated and serviced - outstanding balance	\$150,725	\$147,524	\$146,008	\$127,214
Less: outstanding balance of loans sold	(150,725)	(147,391)	(145,954)	(126,489)
Loans held for sale, net	\$0	\$133	\$54	\$725

**ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES  
(In Thousands)**

	<b>3 Months Ended June 30, 2014</b>	<b>3 Months Ended Mar. 31, 2014</b>	<b>6 Months Ended June 30, 2014</b>	<b>6 Months Ended June 30, 2013</b>
Balance, beginning of period	\$8,343	\$8,663	\$8,663	\$6,857
Charge-offs	(1,546)	(274)	(1,820)	(245)
Recoveries	24	265	289	337
Net (charge-offs) recoveries	(1,522)	(9)	(1,531)	92
Provision (credit) for loan losses	446	(311)	135	249
Balance, end of period	<u>\$7,267</u>	<u>\$8,343</u>	<u>\$7,267</u>	<u>\$7,198</u>

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

	<b>June 30, 2014</b>	<b>Mar. 31, 2014</b>	<b>Dec 31, 2013</b>	<b>June 30, 2013</b>
Impaired loans with a valuation allowance	\$3,804	\$9,576	\$9,889	\$1,874
Impaired loans without a valuation allowance	10,258	5,430	6,432	5,097
Total impaired loans	<u>\$14,062</u>	<u>\$15,006</u>	<u>\$16,321</u>	<u>\$6,971</u>
Total loans past due 30-89 days and still accruing	<u>\$4,837</u>	<u>\$7,650</u>	<u>\$8,305</u>	<u>\$6,114</u>
Nonperforming assets:				
Total nonaccrual loans	\$13,598	\$14,257	\$14,934	\$6,697
Total loans past due 90 days or more and still accruing	3,050	2,160	3,131	2,202
Total nonperforming loans	16,648	16,417	18,065	8,899
Foreclosed assets held for sale (real estate)	1,419	1,321	892	890
Total nonperforming assets	<u>\$18,067</u>	<u>\$17,738</u>	<u>\$18,957</u>	<u>\$9,789</u>
Loans subject to troubled debt restructurings (TDRs):				
Performing	\$2,069	\$3,020	\$3,267	\$2,187
Nonperforming	6,038	112	908	1,154
Total TDRs	<u>\$8,107</u>	<u>\$3,132</u>	<u>\$4,175</u>	<u>\$3,341</u>
Total nonperforming loans as a % of loans	2.68%	2.62%	2.80%	1.36%
Total nonperforming assets as a % of assets	1.44%	1.44%	1.53%	0.80%
Allowance for loan losses as a % of total loans	1.17%	1.33%	1.34%	1.10%
Allowance for loan losses as a % of nonperforming loans	43.65%	50.82%	47.95%	80.89%

	3 Months Ended 6/30/2014 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 3/31/2014 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 6/30/2013 Average Balance	Rate of Return/ Cost of Funds %
<b>EARNING ASSETS</b>						
Available-for-sale securities, at amortized cost:						
Taxable	\$372,666	2.18%	\$345,663	2.22%	\$323,248	2.14%
Tax-exempt	123,568	5.35%	126,030	5.45%	132,198	5.76%
Total available-for-sale securities	496,234	2.97%	471,693	3.08%	455,446	3.19%
Interest-bearing due from banks	33,106	0.39%	30,099	0.40%	23,044	0.40%
Federal funds sold	0	0.00%	0	0.00%	3	0.00%
Loans held for sale	282	7.11%	119	10.22%	787	6.12%
Loans receivable:						
Taxable	585,593	5.54%	595,514	5.45%	625,215	5.79%
Tax-exempt	36,422	5.62%	39,662	5.82%	33,690	5.88%
Total loans receivable	622,015	5.54%	635,176	5.47%	658,905	5.80%
Total Earning Assets	1,151,637	4.29%	1,137,087	4.35%	1,138,185	4.64%
Cash	17,484		16,299		16,961	
Unrealized gain/loss on securities	6,539		2,752		13,820	
Allowance for loan losses	(8,402)		(8,780)		(7,229)	
Bank premises and equipment	16,889		17,283		18,351	
Intangible Asset - Core Deposit Intangible	75		83		120	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	40,965		42,326		43,127	
<b>Total Assets</b>	<b>\$1,237,129</b>		<b>\$1,218,992</b>		<b>\$1,235,277</b>	
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits:						
Interest checking	\$179,018	0.12%	\$179,617	0.12%	\$167,404	0.12%
Money market	198,753	0.15%	195,596	0.14%	204,444	0.15%
Savings	121,741	0.10%	118,529	0.10%	117,224	0.10%
Certificates of deposit	138,250	0.81%	134,833	0.87%	150,358	1.00%
Individual Retirement Accounts	120,987	0.39%	122,389	0.38%	130,368	0.44%
Other time deposits	1,138	0.00%	812	0.00%	1,161	0.00%
Total interest-bearing deposits	759,887	0.29%	751,776	0.30%	770,959	0.35%
Borrowed funds:						
Short-term	4,766	0.08%	10,049	0.20%	5,684	0.14%
Long-term	73,232	4.03%	73,300	4.03%	73,615	4.03%
Total borrowed funds	77,998	3.79%	83,349	3.57%	79,299	3.75%
Total Interest-bearing Liabilities	837,885	0.62%	835,125	0.63%	850,258	0.67%
Demand deposits	204,664		193,402		193,115	
Other liabilities	7,971		8,158		8,292	
<b>Total Liabilities</b>	<b>1,050,520</b>		<b>1,036,685</b>		<b>1,051,665</b>	
Stockholders' equity, excluding other comprehensive income/loss	182,258		180,440		174,782	
Other comprehensive income/loss	4,351		1,867		8,830	
<b>Total Stockholders' Equity</b>	<b>186,609</b>		<b>182,307</b>		<b>183,612</b>	
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$1,237,129</b>		<b>\$1,218,992</b>		<b>\$1,235,277</b>	
Interest Rate Spread		3.67%		3.72%		3.97%
Net Interest Income/Earning Assets		3.84%		3.89%		4.15%
<b>Total Deposits (Interest-bearing and Demand)</b>	<b>\$964,551</b>		<b>\$945,178</b>		<b>\$964,074</b>	

(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)**

	<b>6 Months Ended 6/30/2014 Average Balance</b>	<b>Rate of Return/ Cost of Funds %</b>	<b>6 Months Ended 6/30/2013 Average Balance</b>	<b>Rate of Return/ Cost of Funds %</b>
<b>EARNING ASSETS</b>				
Available-for-sale securities, at amortized cost:				
Taxable	\$359,239	2.20%	\$319,451	2.23%
Tax-exempt	124,792	5.40%	131,166	5.75%
<b>Total available-for-sale securities</b>	<b>484,031</b>	<b>3.03%</b>	<b>450,617</b>	<b>3.25%</b>
Interest-bearing due from banks	31,611	0.40%	26,323	0.39%
Federal funds sold	0	0.00%	9	0.00%
Loans held for sale	201	8.03%	1,486	4.48%
Loans receivable:				
Taxable	590,526	5.49%	630,716	5.84%
Tax-exempt	38,033	5.72%	36,077	5.84%
<b>Total loans receivable</b>	<b>628,559</b>	<b>5.51%</b>	<b>666,793</b>	<b>5.84%</b>
<b>Total Earning Assets</b>	<b>1,144,402</b>	<b>4.32%</b>	<b>1,145,228</b>	<b>4.69%</b>
Cash	16,895		16,523	
Unrealized gain/loss on securities	4,656		15,038	
Allowance for loan losses	(8,590)		(7,178)	
Bank premises and equipment	17,085		18,502	
Intangible Asset - Core Deposit Intangible	79		126	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	41,642		43,252	
<b>Total Assets</b>	<b>\$1,228,111</b>		<b>\$1,243,433</b>	
<b>INTEREST-BEARING LIABILITIES</b>				
Interest-bearing deposits:				
Interest checking	\$179,316	0.12%	\$170,758	0.12%
Money market	197,183	0.14%	203,293	0.14%
Savings	120,144	0.10%	116,883	0.10%
Certificates of deposit	136,551	0.84%	155,158	1.09%
Individual Retirement Accounts	121,684	0.38%	132,212	0.47%
Other time deposits	976	0.00%	1,004	0.00%
<b>Total interest-bearing deposits</b>	<b>755,854</b>	<b>0.30%</b>	<b>779,308</b>	<b>0.38%</b>
Borrowed funds:				
Short-term	7,393	0.16%	4,956	0.12%
Long-term	73,266	4.03%	78,451	4.01%
<b>Total borrowed funds</b>	<b>80,659</b>	<b>3.68%</b>	<b>83,407</b>	<b>3.78%</b>
<b>Total Interest-bearing Liabilities</b>	<b>836,513</b>	<b>0.62%</b>	<b>862,715</b>	<b>0.70%</b>
Demand deposits	199,064		189,025	
Other liabilities	8,064		8,582	
<b>Total Liabilities</b>	<b>1,043,641</b>		<b>1,060,322</b>	
Stockholders' equity, excluding				
other comprehensive income/loss	181,354		173,686	
Other comprehensive income/loss	3,116		9,425	
<b>Total Stockholders' Equity</b>	<b>184,470</b>		<b>183,111</b>	
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$1,228,111</b>		<b>\$1,243,433</b>	
Interest Rate Spread		3.70%		3.99%
Net Interest Income/Earning Assets		3.86%		4.16%
Total Deposits (Interest-bearing and Demand)				
	\$954,918		\$968,333	

(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



	<b>June 30, 2014</b>	<b>Mar. 31, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Service charges on deposit accounts	\$1,314	\$1,223	\$1,242	\$2,537	\$2,468
Service charges and fees	134	127	145	261	279
Trust and financial management revenue	1,138	1,047	1,045	2,185	1,989
Brokerage revenue	242	227	237	469	381
Insurance commissions, fees and premiums	27	32	59	59	104
Interchange revenue from debit card transactions	517	453	505	970	969
Net gains from sales of loans	265	151	552	416	1,056
(Decrease) increase in fair value of servicing rights	(53)	105	(3)	52	5
Increase in cash surrender value of life insurance	91	88	99	179	192
Net (loss) gain from premises and equipment	(1)	0	0	(1)	0
Other operating income	306	298	310	604	591
Total other operating income, before realized gains on available-for-sale securities, net	\$3,980	\$3,751	\$4,191	\$7,731	\$8,034

**COMPARISON OF NONINTEREST EXPENSE  
(In Thousands)**

	<b>Three Months Ended</b>			<b>Six Months Ended</b>	
	<b>June 30, 2014</b>	<b>Mar. 31, 2014</b>	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Salaries and wages	\$3,646	\$3,565	\$3,635	\$7,211	\$7,235
Pensions and other employee benefits	1,153	1,319	1,034	2,472	2,289
Occupancy expense, net	641	715	599	1,356	1,233
Furniture and equipment expense	466	472	483	938	977
FDIC Assessments	146	147	147	293	299
Pennsylvania shares tax	337	341	351	678	701
Professional fees	144	148	461	292	618
Automated teller machine and interchange expense	218	211	312	429	584
Software subscriptions	201	190	209	391	432
Other operating expense	1,395	1,416	1,289	2,811	2,705
Total noninterest expense, before loss on prepayment of borrowings	8,347	8,524	8,520	16,871	17,073
Loss on prepayment of borrowings	0	0	0	0	1,023
Total noninterest expense	\$8,347	\$8,524	\$8,520	\$16,871	\$18,096