

 **CITIZENS & NORTHERN CORPORATION**

90-92 Main Street, P.O. Box 58

Wellsboro, PA 16901

Phone: (570) 724-3411 Fax: (570) 723-8097

E-Mail: [cnemail@cnbankpa.com](mailto:cnemail@cnbankpa.com) Web Page: <http://www.cnbankpa.com>

Stock Symbol: CZNC

Chartered 1864

FEDERAL DEPOSIT INSURANCE CORP

December 31, 2014

## QUARTERLY REPORT

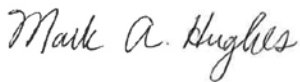
Dear Shareholder:

The year 2014 has been challenging in many respects, but I am pleased to report we ended on a positive note, with fourth quarter diluted earnings per share of \$0.35 or an increase of \$0.01 over the third quarter amount. Diluted earnings per share for the year of \$1.38 were 8.0% lower than in 2013, as one of the major challenges in 2014 has been generating revenue at levels comparable to the past few years while continuing to maintain appropriate levels of credit and interest rate risk. Net interest income for 2014 was \$2.3 million lower than in 2013, as a result of margin compression from declining yields on loans and securities and a reduction in the average total amount of loans outstanding. Noninterest revenue was also lower in 2014, mainly due to a reduction of \$1.2 million in gains from sales of residential mortgage loans, reflecting a reduction in volume of mortgage originations in our market. Positive developments in the fourth quarter 2014 included modest loan growth and a reduction in the ratio of nonperforming assets to total assets to 1.34% from 1.45% at September 30, 2014 and 1.53% at December 31, 2013.

In the fourth quarter, we continued to repurchase shares of common stock under the plan initiated in July 2014 for the repurchase of up to 622,500 shares, or 5% of the total shares outstanding on July 16, 2014. Through December 31, 2014, 208,300 shares had been repurchased for a total cost of \$4,002,000, at an average price of \$19.21 per share. Dividends were \$1.04 per share in 2014, up from \$1.00 in 2013 and representing an annualized return of 5.03% based on the year-end closing stock price of \$20.67. Our ability to repurchase shares and to pay dividends results from our very strong capital position.

Two of our executive officers, Dawn Besse and George Raup, have retired effective at the beginning of 2015. Dawn served as our Chief Credit Officer, and George was our Chief Information Officer. Both Dawn and George enjoyed long, successful banking careers, and have been significant contributors to the C&N team. Their duties have been assumed by experienced individuals who are well-prepared for their new responsibilities. Stan Dunsmore, with almost thirty years' experience as a Commercial Lender, is our new Chief Credit Officer. Shelley D'Haene has assumed George's prior duties, and her title has changed to Senior Operations Officer in recognition of her broadened responsibilities.

I am grateful for the opportunity to serve as Interim President, and especially thankful for the extra effort and assistance provided by our officers and employees during this transition period. Please do not hesitate to contact me if you have questions or concerns.



Mark A. Hughes  
Interim President and CEO

**CITIZENS & NORTHERN CORPORATION  
BOARD OF DIRECTORS**

Dennis F. Beardslee  
Jan E. Fisher  
R. Bruce Haner  
Susan E. Hartley  
Mark A. Hughes  
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  
1827 Elmira Street, **Sayre**, PA 18840  
428 Main Street, **Towanda**, PA 18848  
90-92 Main Street, **Wellsboro**, PA 16901  
130 Court Street, **Williamsport**, PA 17701

607-698-4295  
800-921-9150  
888-760-8192  
888-987-8784  
888-487-8784  
866-732-7213

**DEPOSIT OPERATIONS** - 90-92 Main St., Wellsboro, PA 16901

**BANKCARD SERVICES** - 90-92 Main St., Wellsboro PA 16901

**ELECTRONIC BANKING** – 90-92 Main St., Wellsboro, PA 16901

[www.cnbankpa.com](http://www.cnbankpa.com)

800-577-8001  
877-838-2517

**C&N FINANCIAL SERVICES CORPORATION** – 90-92 Main Street, Wellsboro, PA

[www.cnfinancialservices.com](http://www.cnfinancialservices.com)

866-ASK-CNFS

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

	4TH QUARTER 2014 (Current)	3RD QUARTER 2014 (Prior Qtr)	4TH QUARTER 2013 (Prior Yr)	YEARS ENDED DECEMBER 31, 2014 (Current)      2013 (Prior Yr)	
Interest and Dividend Income	\$11,468	\$11,572	\$11,885	\$46,009	\$48,914
Interest Expense	1,257	1,287	1,354	5,122	5,765
Net Interest Income	10,211	10,285	10,531	40,887	43,149
Provision for Loan Losses	123	218	1,559	476	2,047
Net Interest Income After Provision for Loan Losses	10,088	10,067	8,972	40,411	41,102
Other Income	3,802	3,887	4,124	15,420	16,451
Net Gains on Available-for-sale Securities	210	760	266	1,104	1,718
Loss on Prepayment of Borrowings	0	0	0	0	1,023
Other Noninterest Expenses	8,250	9,036	7,788	34,157	33,471
Income Before Income Tax Provision	5,850	5,678	5,574	22,778	24,777
Income Tax Provision	1,482	1,411	1,349	5,692	6,183
<b>Net Income</b>	<b>\$4,368</b>	<b>\$4,267</b>	<b>\$4,225</b>	<b>\$17,086</b>	<b>\$18,594</b>

**PER COMMON SHARE DATA:**

Net Income - Basic	\$0.36	\$0.34	\$0.34	\$1.38	\$1.51
Net Income - Diluted	\$0.35	\$0.34	\$0.34	\$1.38	\$1.50
Dividend Per Share	\$0.26	\$0.26	\$0.25	\$1.04	\$1.00
Number Shares Used in Computation - Basic	12,302,646	12,399,482	12,381,093	12,390,067	12,352,383
Number Shares Used in Computation - Diluted	12,325,409	12,420,000	12,415,745	12,412,050	12,382,790

**CONDENSED, CONSOLIDATED BALANCE SHEET DATA**

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

	DEC. 31, 2014	SEPT. 30, 2014	DEC. 31, 2013
<b>ASSETS</b>			
Cash & Due from Banks	\$36,047	\$55,439	\$44,619
Available-for-sale Securities	516,807	508,253	482,658
Loans Held for Sale	0	418	54
Loans, Net	623,209	621,960	635,640
Intangible Assets	11,994	12,003	12,029
Other Assets	53,906	58,460	62,695
<b>TOTAL ASSETS</b>	<b>\$1,241,963</b>	<b>\$1,256,533</b>	<b>\$1,237,695</b>
<b>LIABILITIES</b>			
Deposits	\$967,989	\$981,529	\$954,516
Repo Sweep Accounts	5,537	6,765	3,385
Total Deposits and Repo Sweeps	973,526	988,294	957,901
Borrowed Funds	73,060	73,131	93,338
Other Liabilities	7,015	8,234	6,984
<b>TOTAL LIABILITIES</b>	<b>1,053,601</b>	<b>1,069,659</b>	<b>1,058,223</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Shareholders' Equity, Excluding Accumulated			
Other Comprehensive Income (Loss)	183,002	182,837	180,465
Accumulated Other Comprehensive Income (Loss):			
Net Unrealized Gains/Losses on			
Available-for-sale Securities	5,281	3,940	(1,004)
Defined Benefit Plans	79	97	11
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>188,362</b>	<b>186,874</b>	<b>179,472</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$1,241,963</b>	<b>\$1,256,533</b>	<b>\$1,237,695</b>

**CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS**

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

	<b>YEARS ENDED DECEMBER 31,</b>		<b>%</b>
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>INCREASE (DECREASE)</u></b>
<b>EARNINGS PERFORMANCE</b>			
Net Income	\$17,086	\$18,594	-8.11%
Return on Average Assets	1.38%	1.50%	-8.00%
Return on Average Equity	9.21%	10.25%	-10.15%
<b>BALANCE SHEET HIGHLIGHTS</b>			
Total Assets	\$1,241,963	\$1,237,695	0.34%
Available-for-Sale Securities	516,807	482,658	7.08%
Loans (Net)	623,209	635,640	-1.96%
Allowance for Loan Losses	7,336	8,663	-15.32%
Deposits and Repo Sweep Accounts	973,526	957,901	1.63%
<b>OFF-BALANCE SHEET</b>			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	152,505	145,954	4.49%
Trust Assets Under Management	825,918	796,115	3.74%
<b>SHAREHOLDERS' VALUE (PER COMMON SHARE)</b>			
Net Income - Basic	\$1.38	\$1.51	-8.61%
Net Income - Diluted	\$1.38	\$1.50	-8.00%
Dividends	\$1.04	\$1.00	4.00%
Common Book Value	\$15.34	\$14.49	5.87%
Tangible Common Book Value	\$14.36	\$13.51	6.29%
Market Value (Last Trade)	\$20.67	\$20.63	0.19%
Market Value / Common Book Value	134.75%	142.37%	-5.35%
Market Value / Tangible Common Book Value	143.94%	152.70%	-5.74%
Price Earnings Multiple	14.98	13.66	9.66%
Dividend Yield	5.03%	4.85%	3.71%
Common Shares Outstanding, End of Period	12,279,980	12,390,063	-0.89%
<b>SAFETY AND SOUNDNESS</b>			
Tangible Common Equity / Tangible Assets	14.34%	13.66%	4.98%
Nonperforming Assets / Total Assets	1.34%	1.53%	-12.42%
Allowance for Loan Losses / Total Loans	1.16%	1.34%	-13.43%
Total Risk Based Capital Ratio (a)	27.48%	26.60%	3.31%
Tier 1 Risk Based Capital Ratio (a)	26.14%	25.15%	3.94%
Leverage Ratio (a)	13.88%	13.78%	0.73%
<b>AVERAGE BALANCES</b>			
Average Assets	\$1,239,897	\$1,237,096	0.23%
Average Equity	\$185,469	\$181,412	2.24%

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


**CITIZENS & NORTHERN CORPORATION**

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	December 31, 2014		September 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$27,221	\$26,676	\$27,237	\$26,416	\$47,382	\$45,877
Obligations of states and political subdivisions:						
Tax-exempt	120,086	124,839	123,336	128,292	127,748	128,426
Taxable	33,637	33,878	34,136	34,203	35,154	34,471
Mortgage-backed securities	82,479	83,903	74,278	75,513	84,849	86,208
Collateralized mortgage obligations,						
Issued by U.S. Government agencies	239,620	238,823	236,940	234,816	182,372	178,092
Other collateralized debt obligations	34	34	660	660	660	660
Total debt securities	503,077	508,153	496,587	499,900	478,165	473,734
Marketable equity securities	5,605	8,654	5,605	8,353	6,038	8,924
Total	\$508,682	\$516,807	\$502,192	\$508,253	\$484,203	\$482,658

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

	Dec. 31, 2014	Sept. 30, 2014	Dec. 31, 2013
Residential mortgage:			
Residential mortgage loans - first liens	\$291,882	\$290,943	\$299,831
Residential mortgage loans - junior liens	21,166	21,843	23,040
Home equity lines of credit	36,629	35,975	34,530
1-4 Family residential construction	16,739	16,895	13,909
Total residential mortgage	366,416	365,656	371,310
Commercial:			
Commercial loans secured by real estate	145,878	144,410	147,215
Commercial and industrial	50,157	50,615	42,387
Political subdivisions	17,534	14,823	16,291
Commercial construction and land	6,938	9,069	17,003
Loans secured by farmland	7,916	8,542	10,468
Multi-family (5 or more) residential	8,917	9,092	10,985
Agricultural loans	3,221	3,284	3,251
Other commercial loans	13,334	13,620	14,631
Total commercial	253,895	253,455	262,231
Consumer	10,234	10,298	10,762
Total	630,545	629,409	644,303
Less: allowance for loan losses	(7,336)	(7,449)	(8,663)
Loans, net	\$623,209	\$621,960	\$635,640

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

	Dec. 31, 2014	Sept. 30, 2014	Dec. 31, 2013
Residential mortgage loans originated and serviced - outstanding balance	\$152,505	\$151,113	\$146,008
Less: outstanding balance of loans sold	(152,505)	(150,695)	(145,954)
Loans held for sale, net	\$0	\$418	\$54

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

	3 Months Ended Dec. 31, 2014	3 Months Ended Sept. 30, 2014	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
Balance, beginning of period	\$7,449	\$7,267	\$8,663	\$6,857
Charge-offs	(258)	(61)	(2,139)	(671)
Recoveries	22	25	336	430
Net charge-offs	(236)	(36)	(1,803)	(241)
Provision for loan losses	123	218	476	2,047
Balance, end of period	\$7,336	\$7,449	\$7,336	\$8,663

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

	Dec 31, 2014	Sept. 30, 2014	Dec 31, 2013
Impaired loans with a valuation allowance	\$3,241	\$4,059	\$9,889
Impaired loans without a valuation allowance	9,075	10,035	6,432
Total impaired loans	\$12,316	\$14,094	\$16,321
Total loans past due 30-89 days and still accruing	\$7,121	\$5,458	\$8,305
Nonperforming assets:			
Total nonaccrual loans	\$12,610	\$13,722	\$14,934
Total loans past due 90 days or more and still accruing	2,843	2,602	3,131
Total nonperforming loans	15,453	16,324	18,065
Foreclosed assets held for sale (real estate)	1,189	1,888	892
Total nonperforming assets	\$16,642	\$18,212	\$18,957
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$1,807	\$1,834	\$3,267
Nonperforming	5,388	6,172	908
Total TDRs	\$7,195	\$8,006	\$4,175
Total nonperforming loans as a % of loans	2.45%	2.59%	2.80%
Total nonperforming assets as a % of assets	1.34%	1.45%	1.53%
Allowance for loan losses as a % of total loans	1.16%	1.18%	1.34%
Allowance for loan losses as a % of nonperforming loans	47.47%	45.63%	47.95%

	3 Months Ended 12/31/2014 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2014 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2013 Average Balance	Rate of Return/ Cost of Funds %
<b>EARNING ASSETS</b>						
Available-for-sale securities, at amortized cost:						
Taxable	\$383,802	2.10%	\$381,833	2.16%	\$349,203	2.11%
Tax-exempt	121,735	5.22%	123,949	5.22%	129,192	5.36%
Total available-for-sale securities	505,537	2.85%	505,782	2.91%	478,395	2.99%
Interest-bearing due from banks	31,655	0.39%	35,133	0.37%	27,201	0.42%
Federal funds sold	0	0.00%	0	0.00%	0	0.00%
Loans held for sale	151	7.88%	263	7.54%	480	5.79%
Loans receivable:						
Taxable	587,675	5.40%	587,799	5.43%	605,234	5.56%
Tax-exempt	39,909	5.28%	38,537	5.48%	37,466	5.78%
Total loans receivable	627,584	5.40%	626,336	5.43%	642,700	5.58%
Total Earning Assets	1,164,927	4.16%	1,167,514	4.19%	1,148,776	4.38%
Cash	16,310		17,361		16,661	
Unrealized gain/loss on securities	8,222		7,810		3,937	
Allowance for loan losses	(7,476)		(7,332)		(7,201)	
Bank premises and equipment	16,415		16,581		17,673	
Intangible Asset - Core Deposit Intangible	58		64		95	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	38,442		40,201		41,898	
Total Assets	\$1,248,840		\$1,254,141		\$1,233,781	
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits:						
Interest checking	\$190,681	0.11%	\$186,034	0.12%	\$185,502	0.12%
Money market	198,999	0.14%	202,536	0.14%	200,346	0.14%
Savings	122,955	0.10%	123,447	0.10%	117,975	0.10%
Certificates of deposit	128,750	0.73%	137,136	0.76%	139,601	0.92%
Individual Retirement Accounts	116,672	0.40%	120,079	0.40%	125,166	0.39%
Other time deposits	677	0.59%	1,525	0.00%	682	0.00%
Total interest-bearing deposits	758,734	0.27%	770,757	0.28%	769,272	0.31%
Borrowed funds:						
Short-term	6,886	0.12%	5,325	0.07%	7,784	0.15%
Long-term	73,092	4.03%	73,162	4.03%	73,369	4.03%
Total borrowed funds	79,978	3.69%	78,487	3.76%	81,153	3.66%
Total Interest-bearing Liabilities	838,712	0.59%	849,244	0.60%	850,425	0.63%
Demand deposits	213,230		208,773		191,509	
Other liabilities	9,144		10,975		10,082	
Total Liabilities	1,061,086		1,068,992		1,052,016	
Stockholders' equity, excluding other comprehensive income/loss						
Other comprehensive income/loss	182,336		180,042		179,356	
Other comprehensive income/loss	5,418		5,107		2,409	
Total Stockholders' Equity	187,754		185,149		181,765	
Total Liabilities and Stockholders' Equity	\$1,248,840		\$1,254,141		\$1,233,781	
Interest Rate Spread		3.57%		3.59%		3.75%
Net Interest Income/Earning Assets		3.73%		3.75%		3.91%
Total Deposits (Interest-bearing and Demand)						
	\$971,964		\$979,530		\$960,781	

(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)**

	Year Ended 12/31/2014 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2013 Average Balance	Rate of Return/ Cost of Funds %
<b>EARNING ASSETS</b>				
Available-for-sale securities, at amortized cost:				
Taxable	\$371,125	2.16%	\$330,980	2.15%
Tax-exempt	123,809	5.31%	130,584	5.59%
<b>Total available-for-sale securities</b>	<b>494,934</b>	<b>2.95%</b>	<b>461,564</b>	<b>3.12%</b>
Interest-bearing due from banks	32,510	0.39%	26,159	0.40%
Federal funds sold	0	0.00%	4	0.00%
Loans held for sale	204	7.84%	1,118	4.83%
Loans receivable:				
Taxable	589,120	5.45%	620,412	5.72%
Tax-exempt	38,633	5.54%	36,083	5.83%
<b>Total loans receivable</b>	<b>627,753</b>	<b>5.46%</b>	<b>656,495</b>	<b>5.73%</b>
<b>Total Earning Assets</b>	<b>1,155,401</b>	<b>4.24%</b>	<b>1,145,340</b>	<b>4.55%</b>
Cash	16,865		16,854	
Unrealized gain/loss on securities	6,350		8,875	
Allowance for loan losses	(7,992)		(7,204)	
Bank premises and equipment	16,789		18,154	
Intangible Asset - Core Deposit Intangible	70		113	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	40,472		43,022	
<b>Total Assets</b>	<b>\$1,239,897</b>		<b>\$1,237,096</b>	
<b>INTEREST-BEARING LIABILITIES</b>				
Interest-bearing deposits:				
Interest checking	\$183,874	0.12%	\$174,790	0.12%
Money market	198,990	0.14%	203,023	0.14%
Savings	121,685	0.10%	117,055	0.10%
Certificates of deposit	134,732	0.79%	148,598	1.02%
Individual Retirement Accounts	120,016	0.39%	129,255	0.43%
Other time deposits	1,039	0.10%	1,062	0.09%
<b>Total interest-bearing deposits</b>	<b>760,336</b>	<b>0.28%</b>	<b>773,783</b>	<b>0.35%</b>
Borrowed funds:				
Short-term	6,744	0.13%	6,422	0.14%
Long-term	73,196	4.03%	75,906	4.02%
<b>Total borrowed funds</b>	<b>79,940</b>	<b>3.70%</b>	<b>82,328</b>	<b>3.72%</b>
<b>Total Interest-bearing Liabilities</b>	<b>840,276</b>	<b>0.61%</b>	<b>856,111</b>	<b>0.67%</b>
Demand deposits	205,082		190,248	
Other liabilities	9,070		9,325	
<b>Total Liabilities</b>	<b>1,054,428</b>		<b>1,055,684</b>	
Stockholders' equity, excluding other comprehensive income/loss				
	181,271		175,893	
Other comprehensive income/loss	4,198		5,519	
<b>Total Stockholders' Equity</b>	<b>185,469</b>		<b>181,412</b>	
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$1,239,897</b>		<b>\$1,237,096</b>	
Interest Rate Spread		3.63%		3.88%
Net Interest Income/Earning Assets		3.80%		4.05%
Total Deposits (Interest-bearing and Demand)				
	\$965,418		\$964,031	

(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

Year Ended



	<b>Dec. 31, 2014</b>	<b>Sept. 30, 2014</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Service charges on deposit accounts	\$1,213	\$1,275	\$1,421	\$5,025	\$5,246
Service charges and fees	133	144	153	538	597
Trust and financial management revenue	1,165	1,140	1,065	4,490	4,087
Brokerage revenue	219	213	198	901	784
Insurance commissions, fees and premiums	15	44	34	118	170
Interchange revenue from debit card transactions	485	504	488	1,959	1,941
Net gains from sales of loans	211	141	409	768	1,969
(Decrease) increase in fair value of servicing rights	(62)	(17)	(17)	(27)	67
Increase in cash surrender value of life insurance	98	99	98	376	399
Net gain (loss) from premises and equipment	0	9	(30)	8	(16)
Other operating income	325	335	305	1,264	1,207
Total other operating income, before realized gains on available-for-sale securities, net	\$3,802	\$3,887	\$4,124	\$15,420	\$16,451

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

	<b>Three Months Ended</b>			<b>Year Ended</b>	
	<b>Dec. 31, 2014</b>	<b>Sept. 30, 2014</b>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>	<b>Dec. 31, 2013</b>
Salaries and wages	\$3,562	\$4,348	\$3,435	\$15,121	\$14,206
Pensions and other employee benefits	1,206	1,091	985	4,769	4,150
Occupancy expense, net	626	646	614	2,628	2,473
Furniture and equipment expense	460	461	484	1,859	1,948
FDIC Assessments	156	151	154	600	604
Pennsylvania shares tax	336	336	351	1,350	1,402
Professional fees	272	135	110	699	1,534
Automated teller machine and interchange expense	256	239	218	924	1,020
Software subscriptions	209	184	195	784	836
Other operating expense	1,167	1,445	1,242	5,423	5,298
Total noninterest expense, before loss on prepayment of borrowings	8,250	9,036	7,788	34,157	33,471
Loss on prepayment of borrowings	0	0	0	0	1,023
Total noninterest expense	\$8,250	\$9,036	\$7,788	\$34,157	\$34,494