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C&N ANNOUNCES FIRST 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 period ended March 31, 2016.

Net income per diluted share was \$0.29 in the first quarter 2016, as compared to \$0.33 per share in the fourth quarter 2015 and \$0.31 per share in the first quarter 2015. The return on average assets for the first quarter 2016 was 1.18%, and the return on average equity was 7.60%. Highlights related to C&N's earnings results for the comparative periods are presented as follows:

First Quarter 2016 as Compared to Fourth Quarter 2015

- Net interest income totaled \$10,033,000 in the first quarter 2016, up from \$9,949,000 in the fourth quarter 2015. The net interest margin improved to 3.81% in the first quarter 2016 as compared to 3.69% in the fourth quarter 2015, as the average rate paid on borrowed funds dropped to 2.30% from 3.16%. The lower rate on borrowed funds resulted from a \$24 million prepayment of a repurchase agreement in the fourth quarter 2015 with an interest rate of 4.265%, and an increase in short-term borrowings at lower rates than had been incurred on the repurchase agreement.
- The provision for loan losses was \$368,000 in the first quarter 2016, up from \$319,000 in the fourth quarter 2015. The higher provision for loan losses in the most recent quarter resulted from an increase in the collectively determined portion of the allowance for loan losses, including the effect of an increase in the average net charge-off percentage used to calculate the allowance due to a partial charge-off of \$595,000 on one commercial loan in the first quarter 2016.
- Noninterest revenue totaled \$3,690,000 in the first quarter 2016, down \$309,000 (7.7%) from the fourth quarter amount 2015 of \$3,999,000. Service charges on deposit accounts were \$97,000 (7.9%) lower in the most recent quarter as compared to the fourth quarter 2015, consistent with seasonal trends in most recent years. Other operating income was \$102,000 lower in the first quarter 2016 as compared to the fourth quarter 2015, reflecting fourth quarter 2015 income from a life insurance arrangement of \$212,000, with no comparative amount received in the first quarter 2016, partially offset by an increase of \$134,000 in income from the redemption of tax credits.
- In the first quarter 2016, realized gains from securities totaled \$383,000, including gains from sales of bank stocks of \$249,000. In the fourth quarter 2015, C&N had realized gains from securities of \$1,776,000 and recognized a loss of \$1,663,000 from prepayment of the repurchase agreement (borrowing) described above. In 2015, C&N prepaid the repurchase agreement in two installments, including a second quarter prepayment of \$10 million and a fourth quarter prepayment of \$24 million. There were no prepayments of borrowings in the first quarter 2016.
- Noninterest expenses, excluding loss on prepayment of borrowings, totaled \$9,072,000 in the first quarter 2016, up \$656,000 (7.8%) from \$8,416,000 in the fourth quarter 2015. Pensions and other employee benefits expense increased \$353,000 in the first quarter 2016 as compared to the fourth quarter 2015, reflecting the timing of payroll taxes and other payroll-related expenses that are typically highest in the first quarter of each year. Professional fees expense increased \$114,000 in the first quarter 2016 as

compared to the fourth quarter 2015, including increases in the areas of employee sales and service training, information technology, marketing and outsourced commercial loan credit review. Other operating expense increased \$174,000, including an increase in charitable donations of \$150,000. A substantial portion of the first quarter 2016 donations resulted in tax credits to be applied against 2016 state taxes.

First Quarter 2016 as Compared to First Quarter 2015

- Net interest income was up \$83,000 (0.8%) in the first quarter 2016 as compared to the first quarter 2015. The first quarter 2016 net interest margin improved by 0.07% over the first quarter 2015 due to a lower cost of borrowed funds, reflecting the prepayment of a repurchase agreement as described above, and a more favorable mix of earning assets. Average total loans outstanding increased \$77.2 million (12.4%) in the first quarter 2016 as compared to the first quarter 2015, while average total available-for-sale securities fell \$94.5 million. The average balance of earning assets fell \$23.6 million, reflecting a reduction in funding available for investment, as average total deposits decreased \$21.4 million (2.2%).
- The first quarter 2016 provision for loan losses of \$368,000 was \$365,000 higher than the comparative first quarter 2015 amount of \$3,000. As noted above, the provision in the most recent quarter included the impact of a recent increase in net charge-off experience related to a commercial loan. In comparison, the lower first quarter 2015 provision included the net effect of a decrease in qualitative factor percentages used in determining the collectively evaluated portion of the allowance for loan losses, lower loan balances and a reduction in the specific allowance on impaired loans.
- Noninterest revenue of \$3,690,000 in the first quarter 2016 was higher by \$134,000 (3.8%) than the first quarter 2015 amount. Service charges on deposit accounts were \$116,000 (11.4%) higher in the first quarter 2016 than in the first quarter 2015, reflecting changes made in the fee structure of certain checking products effective in April 2015.
- Realized gains from securities of \$383,000 in the first quarter 2016 exceeded the first quarter 2015 amount by \$309,000.
- Noninterest expenses, excluding loss on prepayment of borrowings, of \$9,072,000 in the first quarter 2016 exceeded the first quarter 2015 amount by \$539,000 (6.3%). Salaries and wages expense increased \$400,000 (11.5%), reflecting an increase in number of employees and the effects of a significant portion of 2016 employee annual performance evaluations and merit increases occurring in the first quarter. The average number of full-time equivalent employees was 288 in the first quarter 2016, up from 278 in the first quarter 2015, including new positions established for lending, lending support, information technology, training and marketing functions. Professional fees expense increased \$133,000 in the first quarter 2016 over the first quarter 2015 amount, 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 \$1,216,544,000 at March 31, 2016, as compared to \$1,223,417,000 at December 31, 2015 and \$1,251,958,000 at March 31, 2015.
- Net loans outstanding (excluding mortgage loans held for sale) were \$693,944,000 at March 31, 2016, as compared to \$696,991,000 at December 31, 2015 and up 11.7% from \$621,211,000 at March 31, 2015. In comparing outstanding balances at March 31, 2016 and 2015, total residential mortgage loans increased \$21.2 million, or 5.8%, and total commercial loans increased \$51.6 million, or 20.5%. The major components of the growth in commercial loans outstanding were an increase in loan participations with other financial entities of \$24.4 million and an increase in loans to political subdivisions (municipal loans) of \$18.9 million.

- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$153,778,000 at March 31, 2016 as compared to \$152,448,000 at December 31, 2015 and \$151,272,000 at March 31, 2015.
- Total nonperforming assets as a percentage of assets was 1.36% at March 31, 2016 as compared to 1.31% at December 31, 2015 and 1.33% at March 31, 2015. Although the total amount of nonperforming assets did not change significantly in the first quarter 2016, the amount of loans past due 30-89 days and accruing interest increased \$4.3 million, to \$11.4 million at March 31, 2016. The increase in the balance in the 30-89 days delinquent category included one commercial loan with an outstanding balance of \$2.7 million that was 35 days past due (and had been current prior to the first quarter 2016), and an increase of \$807,000 in 1-4 family residential mortgage loans.
- Deposits and repo sweep accounts totaled \$962,989,000 at March 31, 2016, up from \$940,530,000 at December 31, 2015 but down from \$982,474,000 at March 31, 2015. The reduction in total deposits and repo sweeps at March 31, 2016 as compared to March 31, 2015 includes a reduction of \$15.0 million in time deposits (mainly certificates of deposit and IRAs) and a \$6.9 million reduction in noninterest-bearing demand (checking) deposits. At December 31, 2015, municipal deposits were down significantly from previous levels as a result of the Pennsylvania state budget impasse and related delays in funding municipal entities. In early 2016, the current Pennsylvania fiscal budget situation was resolved, and C&N's deposit levels from these entities increased.
- Total shareholders' equity was \$188,310,000 at March 31, 2016 as compared to \$187,487,000 at December 31, 2015 and \$189,103,000 at March 31, 2015. Tangible common equity as a percentage of tangible assets was 14.64% at March 31, 2016, up from 14.28% 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 first quarter 2016, 154,350 shares were repurchased for a total cost of \$3,070,000, at an average price of \$19.89 per share. Cumulatively through March 31, 2016, 589,550 shares had been repurchased. In April 2016, C&N repurchased the remainder of the shares authorized under the program. In total, 622,500 shares were repurchased for a total cost of \$12,140,000, at an average price of \$19.50 per share.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$826,470,000 at March 31, 2016, up from \$814,788,000 at December 31, 2015, and down 0.7% from \$832,550,000 a year earlier, reflecting the effect of volatility 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.

March 31, 2016

QUARTERLY REPORT

Dear Shareholder:

Earnings per share for the first quarter of 2016 was \$.29 per share compared to \$.31 in the first quarter of 2015. Return on average assets for the quarter was 1.18% and return on average equity was 7.60%. Providing perspective on a bank's first quarter performance has always been challenging. It is historically the weakest period during the year for new business development, carries a variety of front-loaded compensation and benefits related expenses, and includes the short month of February that impacts certain accruals. While we felt the impact of all of these forces, we had a very solid quarter and made progress in several key areas.

Net interest income increased \$83,000 in the first quarter of 2016 compared to the same period in 2015, driven primarily by growth in average loans outstanding of \$77 million and a lower cost of funds due to the prepayment of high cost repurchase agreements during 2015. As a result, the net interest margin improved by .07%, to 3.81% during the first three months of 2016 from 3.74% a year earlier. We continue to operate in a historically low interest rate environment despite the Federal Reserve's December rate hike. Following that move, the yield curve has flattened which makes it more challenging to expand margins.

The provision for loan losses was \$368,000 during the first quarter of 2016 compared to just \$3,000 in 2015 reflecting the impact on the first quarter 2016 calculation of the allowance for loan losses of a \$595,000 charge off of one commercial loan. C&N's overall credit quality remains strong as reflected in our past due and non-performing loan metrics at March 31, 2016 compared to a year earlier.

Noninterest revenue increased by \$134,000, or 3.8%, in the first quarter of 2016 compared to 2015. Most notably, service charges on deposit accounts were higher by \$116,000, or 11.4%, reflecting changes made to our checking accounts and fee structures effective April 2015. Trust revenues and gains from the sale of mortgage loans also increased reflecting solid first quarter performance from these two important business lines.

Noninterest expenses increased 6.5% to \$9.072 million from \$8.533 million in the first quarter of 2015. Included in expense growth is the impact of staff additions to drive and support loan growth, information technology, and marketing, as well as merit increases. A number of front loaded benefits related expenses also impacted personnel costs. Other drivers of noninterest expenses are the investments we are making in sales and service training, employee development, information technology, and marketing. All of these ongoing investments align with our objectives to build customer relationships and drive revenue growth over time.

As we have discussed over the past several quarters, loan growth has been strong. Net loans outstanding at March 31, 2016 were \$694 million, an increase of \$72.7 million, or 11.7%, from March 31, 2015. While loan balances remained flat between the end of 2015 through the end of the first quarter this year, our pipelines in both commercial and residential mortgage loans are robust and reflect the potential for healthy growth as we move into the second quarter.

C&N's capital position continues to be very strong and we continue to support shareholder value through the cash dividend and stock repurchase program. The dividend paid during the first quarter remained at \$.26 per share producing a yield of 5.23% based on the March 31, 2016 closing market price of \$19.88. In the first quarter of 2016, 154,350 shares were repurchased at an average price of \$19.89 per share under the program announced in July 2014. As of March 31, a cumulative total of 589,550 shares had been repurchased, and in April 2016, C&N repurchased the remainder of the shares authorized under the program. In total, 622,500 shares were repurchased at an average price of \$19.50 for a total cost of \$12.14 million.

In closing, we extend a warm welcome to Frank Pellegrino and Terry Lehman who joined C&N's Board of Directors in February. Frank, a member of our Lycoming County Regional Board for a number of years, is a successful business owner and a recognized leader in the community. Terry is an experienced CPA and "financial expert" who brings with him a deep understanding of banking and financial services through decades serving as an auditor and advisor to the industry. We look forward to their engagement and counsel as we pursue our mission of Creating Value Through Lifelong Relationships in the years ahead.

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

A handwritten signature in cursive script, reading "J. Bradley Scovill".

J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	1ST QUARTER 2016 <u>(Current)</u>	1ST QUARTER 2015 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$10,937	\$11,163	(\$226)	-2.02%
Interest Expense	904	1,213	(309)	-25.47%
Net Interest Income	10,033	9,950	83	0.83%
Provision for Loan Losses	368	3	365	12166.67%
Net Interest Income After Provision for Loan Losses	9,665	9,947	(282)	-2.84%
Other Income	3,690	3,556	134	3.77%
Net Gains on Available-for-sale Securities	383	74	309	417.57%
Other Noninterest Expenses	9,072	8,533	539	6.32%
Income Before Income Tax Provision	4,666	5,044	(378)	-7.49%
Income Tax Provision	1,093	1,229	(136)	-11.07%
Net Income	\$3,573	\$3,815	(\$242)	-6.34%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.29	\$0.31	(\$0.02)	-6.45%
Net Income - Diluted	\$0.29	\$0.31	(\$0.02)	-6.45%
Dividend Per Share	\$0.26	\$0.26	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,155,108	12,268,306		
Number Shares Used in Computation - Diluted	12,175,878	12,289,139		

CONDENSED, CONSOLIDATED BALANCE SHEET DATA

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

	MARCH 31, 2016	MARCH 31, 2015	MARCH 31, 2016 vs 2015	
			<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
ASSETS				
Cash & Due from Banks	\$41,173	\$36,430	\$4,743	13.02%
Available-for-sale Securities	413,606	527,814	(114,208)	-21.64%
Loans Held for Sale	526	214	312	145.79%
Loans, Net	693,944	621,211	72,733	11.71%
Intangible Assets	11,969	11,989	(20)	-0.17%
Other Assets	55,326	54,300	1,026	1.89%
TOTAL ASSETS	\$1,216,544	\$1,251,958	(\$35,414)	-2.83%
LIABILITIES				
Deposits	\$955,848	\$976,634	(\$20,786)	-2.13%
Repo Sweep Accounts	7,141	5,840	1,301	22.28%
Total Deposits and Repo Sweeps	962,989	982,474	(19,485)	-1.98%
Borrowed Funds	57,503	72,988	(15,485)	-21.22%
Other Liabilities	7,742	7,393	349	4.72%
TOTAL LIABILITIES	1,028,234	1,062,855	(34,621)	-3.26%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income	182,914	181,437	1,477	0.81%
Accumulated Other Comprehensive Income:				
Net Unrealized Gains/Losses on Available-for-sale Securities	5,347	7,654	(2,307)	-30.14%
Defined Benefit Plans	49	12	37	308.33%
TOTAL SHAREHOLDERS' EQUITY	188,310	189,103	(793)	-0.42%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,216,544	\$1,251,958	(\$35,414)	-2.83%

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information



CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	3 MONTHS ENDED		% INCREASE (DECREASE)
	MARCH 31,		
	<u>2016</u>	<u>2015</u>	
EARNINGS PERFORMANCE			
Net Income	\$3,573	\$3,815	-6.34%
Return on Average Assets	1.18%	1.23%	-4.07%
Return on Average Equity	7.60%	8.08%	-5.94%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,216,544	\$1,251,958	-2.83%
Available-for-Sale Securities	413,606	527,814	-21.64%
Loans (Net)	693,944	621,211	11.71%
Allowance for Loan Losses	7,661	7,134	7.39%
Deposits and Repo Sweep Accounts	962,989	982,474	-1.98%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	153,778	151,272	1.66%
Trust Assets Under Management	826,470	832,550	-0.73%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$0.29	\$0.31	-6.45%
Net Income - Diluted	\$0.29	\$0.31	-6.45%
Dividends	\$0.26	\$0.26	0.00%
Common Book Value	\$15.59	\$15.51	0.52%
Tangible Common Book Value	\$14.60	\$14.53	0.48%
Market Value (Last Trade)	\$19.88	\$20.18	-1.49%
Market Value / Common Book Value	127.52%	130.11%	-1.99%
Market Value / Tangible Common Book Value	136.16%	138.89%	-1.97%
Price Earnings Multiple (Annualized)	17.14	16.27	5.35%
Dividend Yield (Annualized)	5.23%	5.15%	1.55%
Common Shares Outstanding, End of Period	12,081,030	12,193,184	-0.92%
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets	14.64%	14.28%	2.52%
Nonperforming Assets / Total Assets	1.36%	1.33%	2.26%
Allowance for Loan Losses / Total Loans	1.09%	1.14%	-4.39%
Total Risk Based Capital Ratio (a)	24.05%	25.19%	-3.14%
Tier 1 Risk Based Capital Ratio (a)	22.99%	23.98%	-2.88%
Common Equity Tier 1 Risk Based Capital Ratio (a)	22.99%	23.98%	-2.88%
Leverage Ratio (a)	14.27%	13.86%	3.25%
AVERAGE BALANCES			
Average Assets	\$1,214,392	\$1,242,025	-2.22%
Average Equity	\$188,007	\$188,841	-0.44%

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

QUARTERLY CONDENSED, CONSOLIDATED INCOME STATEMENT INFORMATION

(In Thousands) (Unaudited)

For the Three Months Ended:

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

QUARTERLY CONDENSED, CONSOLIDATED BALANCE SHEET INFORMATION

(In Thousands) (Unaudited)

As of:

	Mar. 31, 2016	Dec. 31, 2015	Mar. 31, 2015
ASSETS			
Cash & Due from Banks	\$41,173	\$36,061	\$36,430
Available-for-Sale Securities	413,606	420,290	527,814
Loans Held for Sale	526	280	214
Loans, Net	693,944	696,991	621,211
Intangible Assets	11,969	11,972	11,989
Other Assets	55,326	57,823	54,300
TOTAL ASSETS	\$1,216,544	\$1,223,417	\$1,251,958
LIABILITIES			
Deposits	\$955,848	\$935,615	\$976,634
Repo Sweep Accounts	7,141	4,915	5,840
Total Deposits and Repo Sweeps	962,989	940,530	982,474
Borrowed Funds	57,503	87,348	72,988
Other Liabilities	7,742	8,052	7,393
TOTAL LIABILITIES	1,028,234	1,035,930	1,062,855
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity, Excluding			
Accumulated Other Comprehensive Income/ Loss	182,914	184,959	181,437
Accumulated Other Comprehensive Income/ Loss:			
Net Unrealized Gains/Losses on			
Available-for-sale Securities	5,347	2,493	7,654
Defined Benefit Plans Adjustment, Net	49	35	12
TOTAL SHAREHOLDERS' EQUITY	188,310	187,487	189,103
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,216,544	\$1,223,417	\$1,251,958

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	March 31, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$10,661	\$10,707	\$10,663	\$10,483
Obligations of states and political subdivisions:				
Tax-exempt	107,269	111,959	103,414	107,757
Taxable	34,249	35,094	34,317	34,597
Mortgage-backed securities	72,210	73,243	73,227	73,343
Collateralized mortgage obligations, Issued by U.S. Government agencies	179,731	180,860	193,145	191,715
Other collateralized debt obligations	7	7	9	9
Total debt securities	404,127	411,870	414,775	417,904
Marketable equity securities	1,253	1,736	1,680	2,386
Total	\$405,380	\$413,606	\$416,455	\$420,290

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

	March 31, 2016	Dec. 31, 2015	March 31, 2015
Residential mortgage:			
Residential mortgage loans - first liens	\$306,753	\$304,783	\$291,612
Residential mortgage loans - junior liens	21,622	21,146	20,896
Home equity lines of credit	38,627	39,040	37,049
1-4 Family residential construction	20,010	21,121	16,217
Total residential mortgage	387,012	386,090	365,774
Commercial:			
Commercial loans secured by real estate	154,646	154,779	140,851
Commercial and industrial	71,628	75,196	51,563
Political subdivisions	38,364	40,007	19,479
Commercial construction and land	7,445	5,122	7,249
Loans secured by farmland	7,168	7,019	7,789
Multi-family (5 or more) residential	8,393	9,188	8,673
Agricultural loans	4,492	4,671	3,158
Other commercial loans	11,387	12,152	13,187
Total commercial	303,523	308,134	251,949
Consumer	11,070	10,656	10,622
Total	701,605	704,880	628,345
Less: allowance for loan losses	(7,661)	(7,889)	(7,134)
Loans, net	\$693,944	\$696,991	\$621,211

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

	March 31, 2016	Dec. 31, 2015	March 31, 2015
Residential mortgage loans originated and serviced - outstanding balance	\$154,304	\$152,728	\$151,486
Less: outstanding balance of loans sold	(153,778)	(152,448)	(151,272)
Loans held for sale, net	\$526	\$280	\$214

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended March 31, 2016	3 Months Ended Dec. 31, 2015	Year Ended Dec. 31, 2015	3 Months Ended March 31, 2015
Balance, beginning of period	\$7,889	\$7,416	\$7,336	\$7,336
Charge-offs	(613)	(66)	(562)	(222)
Recoveries	17	220	270	17
Net (charge-offs) recoveries	(596)	154	(292)	(205)
Provision for loan losses	368	319	845	3
Balance, end of period	<u>\$7,661</u>	<u>\$7,889</u>	<u>\$7,889</u>	<u>\$7,134</u>

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

	March 31, 2016	Dec. 31, 2015	March 31, 2015
Impaired loans with a valuation allowance	\$1,420	\$1,933	\$4,312
Impaired loans without a valuation allowance	8,210	8,041	8,851
Total impaired loans	<u>\$9,630</u>	<u>\$9,974</u>	<u>\$13,163</u>
Total loans past due 30-89 days and still accruing	<u>\$11,373</u>	<u>\$7,057</u>	<u>\$5,722</u>
Nonperforming assets:			
Total nonaccrual loans	\$10,944	\$11,517	\$11,944
Total loans past due 90 days or more and still accruing	3,957	3,229	3,086
Total nonperforming loans	14,901	14,746	15,030
Foreclosed assets held for sale (real estate)	1,584	1,260	1,583
Total nonperforming assets	<u>\$16,485</u>	<u>\$16,006</u>	<u>\$16,613</u>
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$1,167	\$1,186	\$1,872
Nonperforming	5,146	5,178	5,252
Total TDRs	<u>\$6,313</u>	<u>\$6,364</u>	<u>\$7,124</u>
Total nonperforming loans as a % of loans	2.12%	2.09%	2.39%
Total nonperforming assets as a % of assets	1.36%	1.31%	1.33%
Allowance for loan losses as a % of total loans	1.09%	1.12%	1.14%
Allowance for loan losses as a % of nonperforming loans	51.41%	53.50%	47.47%

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

	3 Months Ended 3/31/2016 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2015 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 3/31/2015 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Available-for-sale securities, at amortized cost:						
Taxable	\$305,880	2.09%	\$327,225	2.05%	\$388,104	2.15%
Tax-exempt	105,406	5.23%	105,118	4.99%	117,674	5.35%
Total available-for-sale securities	411,286	2.89%	432,343	2.76%	505,778	2.90%
Interest-bearing due from banks	20,348	0.47%	20,168	0.39%	26,994	0.39%
Loans held for sale	452	5.34%	406	5.86%	89	9.11%
Loans receivable:						
Taxable	640,959	5.00%	629,294	5.04%	582,498	5.37%
Tax-exempt	60,677	4.54%	61,339	4.52%	41,925	5.15%
Total loans receivable	701,636	4.96%	690,633	5.00%	624,423	5.35%
Total Earning Assets	1,133,722	4.13%	1,143,550	4.07%	1,157,284	4.16%
Cash	15,588		16,390		16,127	
Unrealized gain/loss on securities	7,055		7,637		10,626	
Allowance for loan losses	(7,932)		(7,525)		(7,391)	
Bank premises and equipment	15,458		15,499		16,252	
Intangible Asset - Core Deposit Intangible	29		32		50	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	38,530		38,037		37,135	
Total Assets	\$1,214,392		\$1,225,562		\$1,242,025	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$195,142	0.12%	\$195,439	0.11%	\$191,705	0.12%
Money market	191,514	0.17%	192,825	0.16%	194,834	0.15%
Savings	130,003	0.10%	127,744	0.10%	127,853	0.10%
Certificates of deposit	113,411	0.72%	116,699	0.68%	122,007	0.71%
Individual Retirement Accounts	105,562	0.41%	107,484	0.41%	113,806	0.40%
Other time deposits	804	0.00%	678	0.00%	803	0.00%
Total interest-bearing deposits	736,436	0.26%	740,869	0.25%	751,008	0.26%
Borrowed funds:						
Short-term	35,683	0.70%	17,395	0.39%	6,017	0.07%
Long-term	38,725	3.77%	59,929	3.96%	73,020	4.03%
Total borrowed funds	74,408	2.30%	77,324	3.16%	79,037	3.73%
Total Interest-bearing Liabilities	810,844	0.45%	818,193	0.53%	830,045	0.59%
Demand deposits	208,163		207,534		215,019	
Other liabilities	7,378		9,149		8,120	
Total Liabilities	1,026,385		1,034,876		1,053,184	
Stockholders' equity, excluding accumulated other comprehensive income/loss						
Accumulated other comprehensive income/loss	183,376		185,716		181,944	
Total Stockholders' Equity	4,631		4,970		6,897	
Total Liabilities and Stockholders' Equity	188,007		190,686		188,841	
Total Liabilities and Stockholders' Equity	\$1,214,392		\$1,225,562		\$1,242,025	
Interest Rate Spread		3.68%		3.54%		3.57%
Net Interest Income/Earning Assets		3.81%		3.69%		3.74%
Total Deposits (Interest-bearing and Demand)	\$944,599		\$948,403		\$966,027	

(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		
	March 31, 2016	Dec. 31, 2015	March 31, 2015
Service charges on deposit accounts	\$1,138	\$1,235	\$1,022
Service charges and fees	94	121	113
Trust and financial management revenue	1,144	1,148	1,114
Brokerage revenue	173	199	219
Insurance commissions, fees and premiums	21	22	40
Interchange revenue from debit card transactions	463	479	474
Net gains from sales of loans	168	162	147
Decrease in fair value of servicing rights	(71)	(25)	(117)
Increase in cash surrender value of life insurance	96	92	97
Other operating income	464	566	447
Total other operating income, before realized gains on available-for-sale securities, net	\$3,690	\$3,999	\$3,556

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended		
	March 31, 2016	Dec. 31, 2015	March 31, 2015
Salaries and wages	\$3,887	\$3,848	\$3,487
Pensions and other employee benefits	1,437	1,084	1,385
Occupancy expense, net	609	589	722
Furniture and equipment expense	427	462	454
FDIC Assessments	142	149	151
Pennsylvania shares tax	322	302	318
Professional fees	289	175	156
Automated teller machine and interchange expense	249	253	246
Software subscriptions	241	259	197
Other operating expense	1,469	1,295	1,417
Total noninterest expense, before loss on prepayment of borrowings	9,072	8,416	8,533
Loss on prepayment of borrowings	0	1,663	0
Total noninterest expense	\$9,072	\$10,079	\$8,533