

Dear Shareholders and Friends:

April 29, 2016

On behalf of the Board of Directors and our management team, I am pleased to report on our financial performance for the first quarter of 2016. Our quarterly results reflect the first full quarter that includes the acquisition of The First National Bank of Fredericksburg (FNB). We are just starting to realize the growth opportunities this new market provides. In addition to our new south central Pennsylvania opportunities, I am extremely excited to announce the opening of a location in Winfield, Pennsylvania. Our dedication and expertise in agriculture has resulted in the hiring of a seasoned lending team based in Winfield, which will serve the central Pennsylvania agricultural market. The addition of this team, along with our existing core of experienced agricultural lenders, positions us to be one of the leading agricultural lenders in Pennsylvania. Both of these markets strongly position our Company for future growth.

For the three months ended March 31, 2016, net income totaled \$3,283,000 which compares to net income of \$3,120,000 for the first quarter of 2015, an increase of \$163,000 or 5.2%. Basic earnings per share of \$.99 for the first quarter of 2016 compares to \$1.03 for the first quarter last year. Annualized return on equity for the three months ended March 31, 2016 and 2015 was 10.81% and 12.38%, while return on assets was 1.11% and 1.36%, respectively.

Net interest income before the provision for loan loss has increased from \$7,587,000 for the three months ended March 31, 2015 to \$9,205,000 for 2016, an increase of \$1,618,000 or 21.36%. For 2016, interest income increased \$1,691,000, while interest expense increased \$73,000. Our net interest margin decreased from 3.89% last year to 3.64% for 2016, which is a decrease of 25 basis points. The interest rate environment, competitive pressures and the integration of FNB, have resulted in a 34 basis point decline in the yield on interest earning assets. On the positive side, the cost of interest bearing liabilities has decreased 11 basis points from the first quarter of 2015, mostly affected by a lower cost of funds acquired from FNB. The provision for loan losses for the quarter ended March 31, 2016 totaled \$135,000, in comparison to \$120,000 for the quarter ended March 31, 2015.

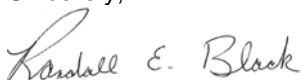
At March 31, 2016, total assets were \$1.2 billion which was the same at December 31, 2015. Compared to March 31, 2015, total assets have increased \$262.6 million. Available for sale securities increased \$12.2 million from December 31, 2015 as excess cash was invested. Net loans increased \$4.5 million compared to the end of last year. Since December 31, 2015, deposits have increased \$29.8 million. Contributing to this increase is the resolution of an approved budget by the Commonwealth of Pennsylvania. The lack of an approved budget as of the end of 2015 temporarily impacted state and political deposit balances, mostly deposits of local school districts.

Our asset quality remains strong, with non-performing assets totaling \$8.8 million as of March 31, 2016. Non-performing assets to total loans was 1.25% at March 31, 2016 compared to 1.22% last December and 1.65% as of March 31, 2015.

Stockholders' equity totaled \$121.9 million at March 31, 2016, which compares to \$119.8 million at December 31, 2015, an increase of \$2.1 million. Net income for the first quarter of 2016 totaling \$3.3 million was offset by cash dividends of \$1.4 million and net treasury share purchases of \$.9 million. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized gain on available for sale investment securities increased \$1.1 million from the end of 2015. A cash dividend of \$.415 per share was paid on March 24, 2016 to shareholders of record on March 18, 2016. This regular quarterly cash dividend is an increase of 2.5% over the regular dividend declared a year ago, and reflects the Board of Directors' continued desire to provide total shareholder return to our shareholder base.

I would like to personally express my sincere thanks to our employees, local board members, management team and the Board of Directors for their efforts and dedication. As we focus on growing our Company we continue to be very excited about our opportunity to grow our business in Lebanon and the surrounding counties, and now in central Pennsylvania as well. I welcome you to stop by any of our branches to see what we are all about and what we have to offer you.

Sincerely,



Randall E. Black

Chief Executive Officer and President

## Quarterly Shareholder Letter

### Consolidated Balance Sheet

(Unaudited - In thousands, except share data)

	March 31 2016	December 31 2015	March 31 2015
<b>ASSETS:</b>			
Total cash and cash equivalents	\$ 37,379	\$ 24,384	\$ 18,783
Interest bearing time deposits with other banks	7,697	7,696	5,960
Available-for-sale securities	371,925	359,737	291,904
Loans (net of allowance for loan losses: 2016, \$7,275; December 31, 2015, \$7,106; March 31, 2015, \$6,922)	692,428	687,925	558,257
Other assets	83,135	83,242	55,068
<b>TOTAL ASSETS</b>	<b>\$ 1,192,564</b>	<b>\$ 1,162,984</b>	<b>\$ 929,972</b>
<b>LIABILITIES:</b>			
Total deposits	\$ 1,017,811	\$ 988,031	\$ 788,776
Borrowed funds	39,996	41,631	29,388
Other liabilities	12,786	13,562	9,519
<b>TOTAL LIABILITIES</b>	<b>1,070,593</b>	<b>1,043,224</b>	<b>827,683</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>121,971</b>	<b>119,760</b>	<b>102,289</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,192,564</b>	<b>\$ 1,162,984</b>	<b>\$ 929,972</b>

### Consolidated Statement of Income

(Unaudited - In thousands)

	Three Months Ended March 31	
	2016	2015
Interest income	\$ 10,462	\$ 8,771
Interest expense	1,257	1,184
Net interest income	9,205	7,587
Provision for loan losses	135	120
Net interest income after provision for loan losses	9,070	7,467
Investment securities gains, net	27	126
Other non-interest income	1,889	1,602
Non-interest expense	(6,912)	(5,335)
Income before provision for income taxes	4,074	3,860
Provision for income taxes	791	740
<b>NET INCOME</b>	<b>\$ 3,283</b>	<b>\$ 3,120</b>

### Performance Ratios and Share Data:

Return on average assets (annualized)	1.11%	1.36%
Return on average equity (annualized)	10.81%	12.38%
Net interest margin (tax equivalent)	3.64%	3.89%
Cash dividends paid per share	\$ 0.415	\$ 0.405
Earnings per share - basic	\$ 0.99	\$ 1.03
Earnings per share - diluted	\$ 0.99	\$ 1.03
Number of shares used in computation - basic	3,323,949	3,026,265
Number of shares used in computation - diluted	3,323,949	3,026,265
Book value per share (at end of period)	\$ 36.42	\$ 33.33
Common shares outstanding (at end of period)	3,318,351	3,020,532
Nonperforming assets to total loans (at end of period)	1.25%	1.65%