

CNB FINANCIAL CORP/PA
Form 10-Q
August 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 - Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-13396

CNB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1450605
(I.R.S. Employer
Identification No.)

1 South Second Street

P.O. Box 42

Clearfield, Pennsylvania 16830

(Address of principal executive offices)

Registrant's telephone number, including area code, (814) 765-9621

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock as of August 3, 2015

COMMON STOCK NO PAR VALUE PER SHARE: 14,405,117 SHARES

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Forward-Looking Statements

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, liquidity, results of operations, future performance and our business. These forward-looking statements are intended to be covered by the safe harbor for

forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that are not historical facts. Forward-looking statements include statements with respect to beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors (some of which are beyond our control). Forward-looking statements often include the words believes, expects, anticipates, estimates, forecasts, intends, targets, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, would. Such known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, include, but are not limited to, (i) changes in general business, industry or economic conditions or competition; (ii) changes in any applicable law, rule, regulation, policy, guideline or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise; (iii) adverse changes or conditions in capital and financial markets; (iv) changes in interest rates; (v) higher than expected costs or other difficulties related to integration of combined or merged businesses; (vi) the inability to realize expected cost savings or achieve other anticipated benefits in connection with business combinations and other acquisitions; (vii) changes in the quality or composition of our loan and investment portfolios; (viii) adequacy of loan loss reserves; (ix) increased competition; (x) loss of certain key officers; (xi) continued relationships with major customers; (xii) deposit attrition; (xiii) rapidly changing technology; (xiv) unanticipated regulatory or judicial proceedings and liabilities and other costs; (xv) changes in the cost of funds, demand for loan products or demand for financial services; (xvi) other economic, competitive, governmental or technological factors affecting our operations, markets, products, services and prices; and (xvii) our success at managing the foregoing items. Some of these and other factors are discussed in our annual and quarterly reports filed with the Securities and Exchange Commission (SEC). Such factors could have an adverse impact on our financial position and our results of operations.

The forward-looking statements contained herein are based upon management's beliefs and assumptions. Any forward-looking statement made herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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Part I Financial Information

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except share data

	(unaudited) June 30, 2015	December 31, 2014
<u>ASSETS</u>		
Cash and due from banks	\$ 27,130	\$ 24,520
Interest bearing deposits with other banks	3,270	3,408
Total cash and cash equivalents	30,400	27,928
Interest bearing time deposits with other banks	225	225
Securities available for sale	640,009	685,720
Trading securities	4,769	4,505
Loans held for sale	2,271	887
Loans	1,455,668	1,359,596
Less: unearned discount	(4,204)	(4,307)
Less: allowance for loan losses	(17,504)	(17,373)
Net loans	1,433,960	1,337,916
FHLB and other equity interests	13,042	6,695
Premises and equipment, net	38,171	35,378
Bank owned life insurance	40,410	39,845
Mortgage servicing rights	875	856
Goodwill	27,194	27,194
Core deposit intangible	2,885	3,403
Accrued interest receivable and other assets	19,578	18,661
Total Assets	\$ 2,253,789	\$ 2,189,213
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Non-interest bearing deposits	\$ 257,873	\$ 244,743
Interest bearing deposits	1,604,875	1,602,336
Total deposits	1,862,748	1,847,079
FHLB and other long-term borrowings	75,589	75,715
Other short-term borrowings	76,055	35,980
Subordinated debentures	20,620	20,620
Accrued interest payable and other liabilities	26,040	21,271
Total liabilities	2,061,052	2,000,665
Common stock, \$0 par value; authorized 50,000,000 shares; issued 14,473,482 shares	0	0
Additional paid in capital	77,488	78,022
Retained earnings	117,025	110,619
Treasury stock, at cost (69,016 shares at June 30, 2015 and 69,066 shares at December 31, 2014)	(1,170)	(1,152)

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Accumulated other comprehensive income (loss)	(606)	1,059
Total shareholders' equity	192,737	188,548
Total Liabilities and Shareholders' Equity	\$ 2,253,789	\$ 2,189,213

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Three months ended June 30,	
	2015	2014
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 17,339	\$ 17,069
Securities:		
Taxable	2,911	3,350
Tax-exempt	949	927
Dividends	107	72
Total interest and dividend income	21,306	21,418
INTEREST EXPENSE:		
Deposits	2,165	2,077
Borrowed funds	805	713
Subordinated debentures (includes \$94 and \$94 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2015 and 2014, respectively)	185	185
Total interest expense	3,155	2,975
NET INTEREST INCOME	18,151	18,443
PROVISION FOR LOAN LOSSES	486	1,501
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	17,665	16,942
NON-INTEREST INCOME:		
Wealth and asset management fees	751	753
Service charges on deposit accounts	1,094	1,145
Other service charges and fees	761	670
Net realized gains on available-for-sale securities (includes \$472 and \$138 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2015 and 2014, respectively)	472	138
Net realized and unrealized gains (losses) on trading securities	(29)	99
Mortgage banking	207	183
Bank owned life insurance	289	239
Other	596	287
Total non-interest income	4,141	3,514
NON-INTEREST EXPENSES:		
Salaries and benefits	7,506	6,443
Net occupancy expense	1,794	1,760
Amortization of core deposit intangible	259	301
Data processing	1,091	841
State and local taxes	474	454
Legal, professional, and examination fees	338	302
Advertising	419	431
FDIC insurance premiums	323	344

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Other	1,917	1,732
Total non-interest expenses	14,121	12,608
INCOME BEFORE INCOME TAXES	7,685	7,848
INCOME TAX EXPENSE (includes (\$132) and (\$15) income tax expense from reclassification items in 2015 and 2014, respectively)	2,083	2,231
NET INCOME	\$ 5,602	\$ 5,617
EARNINGS PER SHARE:		
Basic	\$ 0.39	\$ 0.39
Diluted	\$ 0.39	\$ 0.39
DIVIDENDS PER SHARE:		
Cash dividends per share	\$ 0.165	\$ 0.165

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Six months ended June 30,	
	2015	2014
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 34,835	\$ 34,154
Securities:		
Taxable	5,850	6,690
Tax-exempt	1,887	1,836
Dividends	375	175
Total interest and dividend income	42,947	42,855
INTEREST EXPENSE:		
Deposits	4,212	4,149
Borrowed funds	1,623	1,611
Subordinated debentures (includes \$189 and \$191 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2015 and 2014, respectively)	371	372
Total interest expense	6,206	6,132
NET INTEREST INCOME	36,741	36,723
PROVISION FOR LOAN LOSSES	1,429	2,520
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	35,312	34,203
NON-INTEREST INCOME:		
Wealth and asset management fees	1,517	1,425
Service charges on deposit accounts	2,111	2,186
Other service charges and fees	1,385	1,238
Net realized gains on available-for-sale securities (includes \$491 and \$204 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2015 and 2014, respectively)	491	204
Net realized and unrealized gains (losses) on trading securities	(61)	74
Mortgage banking	320	358
Bank owned life insurance	565	479
Other	910	755
Total non-interest income	7,238	6,719
NON-INTEREST EXPENSES:		
Salaries and benefits	14,138	13,278
Net occupancy expense	3,593	3,521
Amortization of core deposit intangible	518	604
Data processing	2,128	1,944
State and local taxes	1,024	1,016
Legal, professional, and examination fees	650	744
Advertising	753	742
FDIC insurance premiums	619	684

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Other	3,791	3,336
Total non-interest expenses	27,214	25,869
INCOME BEFORE INCOME TAXES	15,336	15,053
INCOME TAX EXPENSE (includes (\$106) and (\$5) income tax expense from reclassification items in 2015 and 2014, respectively)	4,169	4,270
NET INCOME	\$ 11,167	\$ 10,783
EARNINGS PER SHARE:		
Basic	\$ 0.77	\$ 0.75
Diluted	\$ 0.77	\$ 0.75
DIVIDENDS PER SHARE:		
Cash dividends per share	\$ 0.33	\$ 0.33

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

Dollars in thousands

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
NET INCOME	\$ 5,602	\$ 5,617	\$ 11,167	\$ 10,783
Other comprehensive income (loss), net of tax:				
Net change in fair value of interest rate swap agreements designated as cash flow hedges:				
Unrealized gain (loss) on interest rate swaps, net of tax of (\$1) and \$37 for the three months ended June 30, 2015 and 2014, and \$37 and \$58 for the six months ended June 30, 2015 and 2014	2	(68)	(78)	(107)
Reclassification adjustment for losses recognized in earnings, net of tax of (\$33) and (\$33) for the three months ended June 30, 2015 and 2014, and (\$66) and (\$67) for the six months ended June 30, 2015 and 2014	61	61	123	124
	63	(7)	45	17
Net change in unrealized gains on securities available for sale:				
Unrealized gains on other-than-temporarily impaired securities available for sale:				
Unrealized gains arising during the period, net of tax of (\$90) and \$0 for the three months ended June 30, 2015 and 2014, and (\$90) and (\$48) for the six months ended June 30, 2015 and 2014	165	0	165	89
Unrealized gains (losses) on other securities available for sale:				
Unrealized gains (losses) arising during the period, net of tax of \$3,488 and (\$1,762) for the three months ended June 30, 2015 and 2014, and \$838 and (\$4,032) for the six months ended June 30, 2015 and 2014	(6,475)	3,205	(1,556)	7,488
Reclassification adjustment for realized gains included in net income, net of tax of \$165 and \$48 for the three months ended June 30, 2015 and 2014, and \$172 and \$71 for the six months ended June 30, 2015 and 2014	(307)	(90)	(319)	(133)
	(6,782)	3,115	(1,875)	7,355
Other comprehensive income (loss)	(6,554)	3,108	(1,665)	7,461
COMPREHENSIVE INCOME (LOSS)	\$ (952)	\$ 8,725	\$ 9,502	\$ 18,244

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Dollars in thousands

	Six months ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 11,167	\$ 10,783
Adjustments to reconcile net income to net cash provided by operations:		
Provision for loan losses	1,429	2,520
Depreciation and amortization of premises and equipment, core deposit intangible, and mortgage servicing rights	2,037	2,063
Amortization and accretion of securities premiums and discounts, deferred loan fees and costs, net yield and credit mark on acquired loans, and unearned income	31	153
Net realized gains on sales of available-for-sale securities	(491)	(204)
Net realized and unrealized (gains) losses on trading securities	61	(74)
Proceeds from sale of trading securities	625	0
Purchase of trading securities	(943)	(210)
Gain on sale of loans	(268)	(257)
Net losses on dispositions of premises and equipment and foreclosed assets	43	130
Proceeds from sale of loans	6,140	3,563
Origination of loans held for sale	(7,416)	(3,942)
Income on bank owned life insurance	(565)	(479)
Stock-based compensation expense	305	327
Contribution of treasury stock	48	60
Changes in:		
Accrued interest receivable and other assets	(804)	3,571
Accrued interest payable and other liabilities	5,671	(4,272)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,070	13,732
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in interest bearing time deposits with other banks	0	50
Proceeds from maturities, prepayments and calls of available-for-sale securities	40,100	34,335
Proceeds from sales of available-for-sale securities	48,529	29,128
Purchase of available-for-sale securities	(46,542)	(62,868)
Loan origination and payments, net	(96,202)	(13,006)
Purchase of FHLB and other equity interests	(6,347)	(1,507)
Purchase of premises and equipment	(4,173)	(2,482)
Proceeds from the sale of premises and equipment and foreclosed assets	48	301
NET CASH USED IN INVESTING ACTIVITIES	(64,587)	(16,049)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in:		
Checking, money market and savings accounts	(10,915)	80,563
Certificates of deposit	26,584	(64,830)
Purchase of treasury stock	(868)	(1,582)
Cash dividends paid	(4,761)	(4,774)
Repayment of long-term borrowings	(126)	(112)
Proceeds from long-term borrowings	0	950
Net change in short-term borrowings	40,075	(3,180)

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NET CASH PROVIDED BY FINANCING ACTIVITIES	49,989	7,035
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,472	4,718
CASH AND CASH EQUIVALENTS, Beginning	27,928	29,633
CASH AND CASH EQUIVALENTS, Ending	\$ 30,400	\$ 34,351
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 6,210	\$ 6,197
Income taxes	\$ 3,238	\$ 4,076
SUPPLEMENTAL NONCASH DISCLOSURES:		
Transfers to other real estate owned	\$ 240	\$ 161
Grant of restricted stock awards from treasury stock	\$ 821	\$ 609

See Notes to Consolidated Financial Statements

Table of Contents**CNB FINANCIAL CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****1. BASIS OF PRESENTATION**

The accompanying consolidated financial statements have been prepared pursuant to rules and regulations of the SEC and in compliance with accounting principles generally accepted in the United States of America (GAAP). Because this report is based on an interim period, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

In the opinion of management of the registrant, the accompanying consolidated financial statements as of June 30, 2015 and for the three and six month periods ended June 30, 2015 and 2014 include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial condition and the results of operations for the periods presented. The financial performance reported for CNB Financial Corporation (the Corporation) for the three and six month periods ended June 30, 2015 is not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with the Corporation s Annual Report on Form 10-K for the period ended December 31, 2014 (the 2014 Form 10-K). All dollar amounts are stated in thousands, except share and per share data and other amounts as indicated. Certain prior period amounts have been reclassified to conform to the current period presentation.

2. STOCK COMPENSATION

The Corporation has a stock incentive plan for key employees and independent directors. The stock incentive plan, which is administered by a committee of the Board of Directors, provides for aggregate grants of up to 500,000 shares of common stock in the form of nonqualified options or restricted stock. For key employees, the plan vesting is one-fourth of the granted options or restricted stock per year beginning one year after the grant date, with 100% vested on the fourth anniversary of the grant date. For independent directors, the vesting schedule is one-third of the granted options or restricted stock per year beginning one year after the grant date, with 100% vested on the third anniversary of the grant date.

At June 30, 2015, there was no unrecognized compensation cost related to nonvested stock options granted under this plan and no stock options were granted during the three and six month periods ended June 30, 2015 and 2014.

Compensation expense for the restricted stock awards is recognized over the requisite service period noted above based on the fair value of the shares at the date of grant. Nonvested restricted stock awards are recorded as a reduction of additional paid-in-capital in shareholders equity until earned. Compensation expense resulting from these restricted stock awards was \$148 and \$305 for the three and six months ended June 30, 2015, and \$119 and \$327 for the three and six months ended June 30, 2014. As of June 30, 2015, there was \$1,317 of total unrecognized compensation cost related to unvested restricted stock awards.

A summary of changes in nonvested restricted stock awards for the three months ended June 30, 2015 follows:

		Per Share	
	Shares	Weighted Average Grant Date Fair Value	
Nonvested at beginning of period	89,850	\$	17.00
Granted	0		0
Vested	0		0

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Nonvested at end of period	89,850	\$	17.00
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A summary of changes in nonvested restricted stock awards for the six months ended June 30, 2015 follows:

		Per Share	
	Shares	Weighted Average Grant Date Fair Value	
Nonvested at beginning of period	68,210	\$	16.82
Granted	48,300		17.00
Vested	(26,660)		16.53
Nonvested at end of period	89,850	\$	17.00

3. FAIR VALUE**Fair Value Measurement**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has also been established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs are used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of most trading securities and securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The Corporation's structured pooled trust preferred security is priced using Level 3 inputs. The decline in the level of observable inputs and market activity in this class of investments by the measurement date has been significant and resulted in unreliable external pricing. Broker pricing and bid/ask spreads, when available, vary widely, and the once-active market has become comparatively inactive. The Corporation engaged a third party consultant who has developed a model for pricing this security. Information such as historical and current performance of the underlying collateral, deferral and default rates, collateral coverage ratios, break in yield calculations, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual issuing financial institutions and insurance companies are utilized in determining the security valuation. Due to the current market conditions as well as the limited trading activity of these types of securities, the market value of the Corporation's structured pooled trust preferred security is highly sensitive to assumption changes and market volatility.

The Corporation's derivative instrument is an interest rate swap that is similar to those that trade in liquid markets. As such, significant fair value inputs can generally be verified and do not typically involve significant management judgments (Level 2 inputs).

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Assets and liabilities measured at fair value on a recurring basis are as follows at June 30, 2015 and December 31, 2014:

Description	Total	Fair Value Measurements at June 30, 2015 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities Available For Sale:				
U.S. Government sponsored entities	\$ 151,870	\$ 0	\$ 151,870	\$ 0
States and political subdivisions	182,130	0	182,130	0
Residential and multi-family mortgage	228,719	0	228,719	0
Corporate notes and bonds	19,762	0	19,762	0
Pooled trust preferred	1,160	0	0	1,160
Pooled SBA	55,367	0	55,367	0
Other securities	1,001	1,001	0	0
Total Securities Available For Sale	\$ 640,009	\$ 1,001	\$ 637,848	\$ 1,160
Trading Securities:				
Corporate equity securities	\$ 3,257	\$ 3,257	\$ 0	\$ 0
Mutual funds	1,048	1,048	0	0
Certificates of deposit	255	255	0	0
Corporate notes and bonds	155	0	155	0
U.S. Government sponsored entities	54	0	54	0
Total Trading Securities	\$ 4,769	\$ 4,560	\$ 209	\$ 0
Liabilities,				
Interest rate swaps	\$ (877)	\$ 0	\$ (877)	\$ 0

Description	Total	Fair Value Measurements at December 31, 2014 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Securities Available For Sale:				
U.S. Government sponsored entities	\$ 155,564	\$ 0	\$ 155,564	\$ 0
States and political subdivisions	181,002	0	181,002	0
Residential and multi-family mortgage	265,164	0	265,164	0
Corporate notes and bonds	19,430	0	19,430	0
Pooled trust preferred	905	0	0	905
Pooled SBA	62,653	0	62,653	0
Other securities	1,002	1,002	0	0
Total Securities Available For Sale	\$ 685,720	\$ 1,002	\$ 683,813	\$ 905

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Trading Securities:				
Corporate equity securities	\$ 3,044	\$ 3,044	\$ 0	\$ 0
Mutual funds	997	997	0	0
Certificates of deposit	253	253	0	0
Corporate notes and bonds	157	0	157	0
U.S. Government sponsored entities	54	0	54	0
Total Trading Securities	\$ 4,505	\$ 4,294	\$ 211	\$ 0
Liabilities,				
Interest rate swaps	\$ (946)	\$ 0	\$ (946)	\$ 0

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The table below presents a reconciliation of the fair value of securities available for sale measured on a recurring basis using significant unobservable inputs (Level 3) for the three months ended June 30, 2015 and June 30, 2014:

	2015	2014
Balance, April 1	\$ 905	\$ 798
Total gains or (losses):		
Included in other comprehensive income (unrealized)	255	0
Balance, June 30	\$ 1,160	\$ 798

The table below presents a reconciliation of the fair value of securities available for sale measured on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2015 and June 30, 2014:

	2015	2014
Balance, January 1	\$ 905	\$ 661
Total gains or (losses):		
Included in other comprehensive income (unrealized)	255	137
Balance, June 30	\$ 1,160	\$ 798

The following table presents quantitative information about Level 3 fair value measurements at June 30, 2015:

	Fair value	Valuation Technique	Unobservable	Input
			Inputs	Utilized
Pooled trust preferred	\$ 1,160	Discounted cash flow	Collateral default rate	0.71% and declining to 0.5% over the remainder of 2015 and thereafter
			Yield	9%
			Prepayment speed	2.0% constant prepayment rate in 2015 and thereafter

The following table presents quantitative information about Level 3 fair value measurements at December 31, 2014:

	Fair value	Valuation Technique	Unobservable	Input
			Inputs	Utilized
Pooled trust preferred	\$ 905	Discounted cash flow	Collateral default rate	1% in 2015; 0.5% in 2016 and thereafter
			Yield	11%
			Prepayment speed	2.0% constant prepayment rate in 2015 and thereafter

At June 30, 2015 and December 31, 2014, the significant unobservable inputs used in the fair value measurement of the Corporation's pooled trust preferred security are collateral default rate, yield, and prepayment speed. Significant increases in specific-issuer default assumptions or

decreases in specific-issuer recovery assumptions would result in a significantly lower fair value measurement. Conversely, decreases in specific-issuer default assumptions or increases in specific-issuer recovery assumptions would result in a higher fair value measurement.

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Assets and liabilities measured at fair value on a non-recurring basis are as follows at June 30, 2015 and December 31, 2014:

Description	Total	Fair Value Measurements at June 30, 2015 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans:				
Commercial mortgages	\$ 2,246	0	0	\$ 2,246
Commercial, industrial, and agricultural	2,668	0	0	2,668

Description	Total	Fair Value Measurements at December 31, 2014 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Impaired loans:				
Commercial mortgages	\$ 2,353	0	0	\$ 2,353
Commercial, industrial, and agricultural	2,820	0	0	2,820

Impaired loans, which, if collateral dependent, are measured for impairment using the fair value of collateral, had a recorded investment of \$7,030 with a valuation allowance of \$2,116 as of June 30, 2015, resulting in an additional provision for loan losses of \$60 and \$63 for the corresponding three and six month period ended June 30, 2015. Impaired loans had a recorded investment of \$7,423 with a valuation allowance of \$2,250 as of December 31, 2014. Additional provision for loan losses were incurred of \$280 and \$630 for the three and six months ended June 30, 2014.

The estimated fair values of impaired collateral dependent loans such as commercial or residential mortgages are determined primarily by using third-party appraisals. When a collateral dependent loan, such as a commercial or residential mortgage loan, becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal, and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral and a further reduction for estimated costs to sell the property is applied, which results in an amount that is considered to be the estimated fair value. If a loan becomes impaired and management determines an updated appraisal is not necessary, an appropriate adjustment factor is applied based on experience with current valuations of similar collateral in determining the loan's estimated fair value and resulting allowance for loan losses. Third-party appraisals are not customarily obtained in respect of unimpaired loans, unless in management's view changes in circumstances warrant obtaining an updated appraisal.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2015:

	Fair value	Valuation Technique	Unobservable	
			Inputs	Range (Weighted Average)
Impaired loans commercial mortgages	\$ 2,246	Sales comparison approach	Adjustment for differences between the comparable sales	32% - 100% (47%)
Impaired loans commercial,	2,668		Adjustment for differences	4%

industrial, and agricultural

Sales comparison between the comparable sales approach

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The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2014:

	Fair value	Valuation Technique	Unobservable		Range (Weighted Average)
			Inputs		
Impaired loans commercial mortgages	\$ 2,353	Sales comparison approach	Adjustment for differences between the comparable sales		34% - 100% (44%)
Impaired loans commercial, industrial, and agricultural	\$ 2,820	Sales comparison approach	Adjustment for differences between the comparable sales		8% - 49% (13%)

Fair Value of Financial Instruments

The following table presents the carrying amount and fair value of financial instruments at June 30, 2015:

	Carrying Amount	Fair Value Measurement Using:			Total Fair Value
		Level 1	Level 2	Level 3	
ASSETS					
Cash and cash equivalents	\$ 30,400	\$ 30,400	\$ 0	\$ 0	\$ 30,400
Interest bearing time deposits with other banks	225	0	225	0	225
Securities available for sale	640,009	1,001	637,848	1,160	640,009
Trading securities	4,769	4,560	209	0	4,769
Loans held for sale	2,271	0	2,353	0	2,353
Net loans	1,433,960	0	0	1,427,761	1,427,761
FHLB and other equity interests	13,042	n/a	n/a	n/a	n/a
Accrued interest receivable	7,258	5	3,336	3,917	7,258
LIABILITIES					
Deposits	\$ (1,862,748)	\$ (1,659,257)	\$ (203,056)	\$ 0	\$ (1,862,313)
FHLB and other borrowings	(151,644)	0	(151,849)	0	(151,849)
Subordinated debentures	(20,620)	0	(11,415)	0	(11,415)
Interest rate swaps	(877)	0	(877)	0	(877)
Accrued interest payable	(903)	(351)	(537)	(15)	(903)

The following table presents the carrying amount and fair value of financial instruments at December 31, 2014:

	Carrying Amount	Fair Value Measurement Using:			Total Fair Value
		Level 1	Level 2	Level 3	
ASSETS					
Cash and cash equivalents	\$ 27,928	\$ 27,928	\$ 0	\$ 0	\$ 27,928
Interest bearing time deposits with other banks	225	0	224	0	224
Securities available for sale	685,720	1,002	683,813	905	685,720
Trading securities	4,505	4,296	209	0	4,505
Loans held for sale	887	0	938	0	938
Net loans	1,337,916	0	0	1,337,537	1,337,537
FHLB and other equity interests	6,695	n/a	n/a	n/a	n/a
Accrued interest receivable	7,441	5	3,503	3,933	7,441
LIABILITIES					
Deposits	\$ (1,847,079)	\$ (1,670,172)	\$ (176,036)	\$ 0	(1,846,208)
FHLB and other borrowings	(111,695)	0	(111,821)	0	(111,821)

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Subordinated debentures	(20,620)	0	(11,395)	0	(11,395)
Interest rate swaps	(946)	0	(946)	0	(946)
Accrued interest payable	(804)	(358)	(430)	(16)	(804)

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The methods and assumptions, not otherwise presented, used to estimate fair values are described as follows:

Cash and cash equivalents: The carrying amounts of cash and cash equivalents approximate fair values and are classified as Level 1.

Interest bearing time deposits with other banks: The fair value of interest bearing time deposits with other banks is estimated using a discounted cash flow calculation that applies interest rates currently being offered to a schedule of aggregated expected monthly maturities, resulting in a Level 2 classification.

Loans held for sale: The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

Loans: For variable rate loans that re-price frequently and with no significant change in credit risk, fair values are based on carrying values, resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality, resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

FHLB and other equity interests: It is not practical to determine the fair value of Federal Home Loan Bank stock and other equity interests due to restrictions placed on the transferability of these instruments.

Accrued interest receivable: The carrying amount of accrued interest receivable approximates fair value. The Level classification of accrued interest receivable is matched to the corresponding Level of the asset with which it is associated.

Deposits: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount), resulting in a Level 1 classification. Fair values for time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits, resulting in a Level 2 classification.

FHLB and other borrowings: The fair values of the Corporation's FHLB and other borrowings are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements, resulting in a Level 2 classification.

Subordinated debentures: The fair value of the Corporation's subordinated debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of arrangements, resulting in a Level 2 classification.

Accrued interest payable: The carrying amount of accrued interest payable approximates fair value resulting in a classification that is consistent with the liability with which it is associated.

While estimates of fair value are based on management's judgment of the most appropriate factors as of the balance sheet date, there is no assurance that the estimated fair values would have been realized if the assets had been disposed of or the liabilities settled at that date, since market values may differ depending on various circumstances. The estimated fair values would also not apply to subsequent dates.

In addition, other assets and liabilities that are not financial instruments, such as premises and equipment, are not included in the disclosures. Also, non-financial assets such as, among other things, the estimated earning power of core deposits, the earnings potential of trust accounts, the trained workforce, and customer goodwill, which typically are not recognized on the balance sheet, may have value but are not included in the fair value disclosures.

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Securities available for sale at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015			December 31, 2014				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Gov t sponsored entities	\$ 151,385	\$ 2,176	\$ (1,691)	\$ 151,870	\$ 155,482	\$ 2,301	\$ (2,219)	\$ 155,564
State & political subdivisions	177,405	5,489	(764)	182,130	174,600	6,804	(402)	181,002
Residential & multi-family mortgage	231,535	1,496	(4,312)	228,719	265,678	2,291	(2,805)	265,164
Corporate notes & bonds	20,792	193	(1,223)	19,762	20,791	139	(1,500)	19,430
Pooled trust preferred	800	360	0	1,160	800	105	0	905
Pooled SBA	55,428	831	(892)	55,367	63,139	1,074	(1,560)	62,653
Other securities	1,020	0	(19)	1,001	1,020	0	(18)	1,002
Total	\$ 638,365	\$ 10,545	\$ (8,901)	\$ 640,009	\$ 681,510	\$ 12,714	\$ (8,504)	\$ 685,720

At June 30, 2015 and December 31, 2014, there were no holdings of securities of any one issuer, other than the U.S. Government sponsored entities, in an amount greater than 10% of shareholders' equity. The Corporation's residential and multi-family mortgage securities are issued by government sponsored entities.

Trading securities at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Corporate equity securities	\$ 3,257	\$ 3,044
Mutual funds	1,048	997
Certificates of deposit	255	253
Corporate notes and bonds	155	157
U.S. Government sponsored entities	54	54
Total	\$ 4,769	\$ 4,505

Securities with unrealized losses at June 30, 2015 and December 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows (in thousands):

June 30, 2015

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Gov t sponsored entities	\$ 51,164	\$ (825)	\$ 55,559	\$ (866)	\$ 106,723	\$ (1,691)
State & political subdivisions	43,017	(637)	4,285	(127)	47,302	(764)
Residential & multi-family mortgage	106,961	(2,338)	58,665	(1,974)	165,626	(4,312)
Corporate notes & bonds	5,010	(24)	8,210	(1,199)	13,220	(1,223)
Pooled SBA	3,122	(16)	28,724	(876)	31,846	(892)
Other securities	0	0	1,001	(19)	1,001	(19)
	\$ 209,274	\$ (3,840)	\$ 157,604	\$ (5,061)	\$ 366,878	\$ (8,901)

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December 31, 2014

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Gov t sponsored entities	\$ 26,069	\$ (149)	\$ 85,016	\$ (2,070)	\$ 111,085	\$ (2,219)
State & political subdivisions	16,398	(179)	12,363	(223)	28,761	(402)
Residential & multi-family mortgage	70,360	(603)	99,397	(2,202)	169,757	(2,805)
Corporate notes & bonds	5,008	(30)	7,935	(1,470)	12,943	(1,500)
Pooled SBA	0	(0)	34,608	(1,560)	34,608	(1,560)
Other securities	0	(0)	1,002	(18)	1,002	(18)
	\$ 117,835	\$ (961)	\$ 240,321	\$ (7,543)	\$ 358,156	\$ (8,504)

The Corporation evaluates securities for other-than-temporary impairment on a quarterly basis, or more frequently when economic or market conditions warrant such an evaluation.

A roll-forward of the other-than-temporary impairment amount related to credit losses for the three and six months ended June 30, 2015 and 2014 is as follows:

Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in earnings, beginning of period	\$ 4,054
Additional credit loss for which other-than-temporary impairment was not previously recognized	0
Additional credit loss for which other-than-temporary impairment was previously recognized	0
Balance of credit losses on debt securities for which a portion of other-than-temporary impairment was recognized in earnings, end of period	\$ 4,054

Due to the insignificance of the adjusted amortized cost balance, no further disclosures are required with respect to the Corporation's structured pooled trust preferred securities.

For the securities that comprise corporate notes and bonds and the securities that are issued by state and political subdivisions, management monitors publicly available financial information, such as filings with the Securities and Exchange Commission, in order to evaluate the securities for other-than-temporary impairment. For financial institution issuers, management monitors information from quarterly call report filings that are used to generate Uniform Bank Performance Reports. All other securities that were in an unrealized loss position at the balance sheet date were reviewed by management, and issuer-specific documents were reviewed, as appropriate given the following considerations. When reviewing securities for other-than-temporary impairment, management considers the financial condition and near-term prospects of the issuer and whether downgrades by bond rating agencies have occurred. Management also considers the length of time and extent to which fair value has been less than cost, and whether management does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery.

As of June 30, 2015 and December 31, 2014, management concluded that the securities described in the previous paragraph were not other-than-temporarily impaired for the following reasons:

There is no indication of any significant deterioration of the creditworthiness of the institutions that issued the securities.

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All contractual interest payments on the securities have been received as scheduled, and no information has come to management's attention through the processes previously described which would lead to a conclusion that future contractual payments will not be timely received.

The Corporation does not intend to sell and it is not more likely than not that it will be required to sell the securities in an unrealized loss position before recovery of its amortized cost basis.

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Information pertaining to security sales on available for sale securities is as follows:

	Proceeds	Gross Gains	Gross Losses
Three months ended June 30, 2015	\$ 15,580	\$ 472	\$ 0
Six months ended June 30, 2015	48,529	608	(117)
Three months ended June 30, 2014	16,177	138	0
Six months ended June 30, 2014	29,128	287	(83)

The following is a schedule of the contractual maturity of securities available for sale, excluding equity securities, at June 30, 2015:

	Amortized Cost	Fair Value
1 year or less	\$ 27,693	\$ 27,850
1 year 5 years	188,690	192,742
5 years 10 years	101,883	102,322
After 10 years	32,116	32,008
	350,382	354,922
Residential and multi-family mortgage	231,535	228,719
Pooled SBA	55,428	55,367
Total debt securities	\$ 637,345	\$ 639,008

Mortgage and asset backed securities and pooled SBA securities are not due at a single date; periodic payments are received based on the payment patterns of the underlying collateral.

On June 30, 2015 and December 31, 2014, securities carried at \$344,036 and \$325,799, respectively, were pledged to secure public deposits and for other purposes as provided by law.

5. LOANS

Total net loans at June 30, 2015 and December 31, 2014 are summarized as follows:

	June 30, 2015	December 31, 2014
Commercial, industrial, and agricultural	\$ 439,810	\$ 428,458
Commercial mortgages	399,255	352,752
Residential real estate	538,329	502,317
Consumer	71,584	69,648
Credit cards	5,130	5,233
Overdrafts	1,560	1,188
Less: unearned discount allowance for loan losses	(4,204)	(4,307)
	(17,504)	(17,373)
Loans, net	\$ 1,433,960	\$ 1,337,916

At June 30, 2015 and December 31, 2014, net unamortized loan fees and costs of \$(165) and \$483, respectively, have been included in the carrying value of loans.

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The Corporation's outstanding loans and related unfunded commitments are primarily concentrated within Central and Western Pennsylvania and Central Ohio. The Bank attempts to limit concentrations within specific industries by utilizing dollar limitations to single industries or customers, and by entering into participation agreements with third parties. Collateral requirements are established based on management's assessment of the customer. The Corporation maintains lending policies to control the quality of the loan portfolio. These policies delegate the authority to extend loans under specific guidelines and underwriting standards. These policies are prepared by the Corporation's management and reviewed and ratified annually by the Corporation's Board of Directors.

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All relevant documentation, such as the loan application, financial statements and tax returns, required under the lending policies is summarized and provided to management in connection with the loan approval process. Such documentation is subsequently electronically archived in the Corporation's document management system. Pursuant to the Corporation's lending policies, management considers a variety of factors when determining whether to extend credit to a customer, including loan-to-value ratios, FICO scores, quality of the borrower's financial statements, and the ability to obtain personal guarantees.

Commercial, industrial, and agricultural loans comprised 31% and 32% of the Corporation's total loan portfolio at June 30, 2015 and December 31, 2014, respectively. Commercial mortgage loans comprised 28% and 26% of the Corporation's total loan portfolio at June 30, 2015 and December 31, 2014. Management assigns a risk rating to all commercial loans in excess of \$250,000. The loan-to-value policy guidelines for commercial, industrial, and agricultural loans are generally a maximum of 80% of the value of business equipment, a maximum of 75% of the value of accounts receivable, and a maximum of 60% of the value of business inventory. The loan-to-value policy guideline for commercial mortgage loans is generally a maximum of 85% of the appraised value of the real estate.

Residential real estate loans comprised 38% and 37% of the Corporation's total loan portfolio at June 30, 2015 and December 31, 2014, respectively. The loan-to-value policy guidelines for residential real estate loans vary depending on the collateral position and the specific type of loan. Higher loan-to-value terms may be approved with the appropriate private mortgage insurance coverage. The Corporation also originates and prices loans for sale into the secondary market through Freddie Mac. Loans originated for sale into the secondary market are classified as loans held for sale and are excluded from residential real estate loans reported above. The rationale for these sales is to mitigate interest rate risk associated with holding lower rate, long-term residential mortgages in the loan portfolio and to generate fee revenue from sales and servicing the loan. The Corporation also offers a variety of unsecured and secured consumer loan and credit card products which represent less than 10% of the total loan portfolio at both June 30, 2015 and December 31, 2014. Terms and collateral requirements vary depending on the size and nature of the loan.

CNB has not underwritten any hybrid loans, payment option loans, or low documentation/no documentation loans. Variable rate loans are generally underwritten at the fully indexed rate. Loan underwriting policies and procedures have not changed materially between any periods presented.

Transactions in the allowance for loan losses for the three months ended June 30, 2015 were as follows:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses, April 1, 2015	\$ 7,223	\$ 5,296	\$ 2,786	\$ 2,129	\$ 74	\$ 174	\$ 17,682
Charge-offs	(65)	0	(90)	(477)	(44)	(48)	(724)
Recoveries	12	0	0	26	2	20	60
Provision (benefit) for loan losses	(572)	632	(84)	440	66	4	486
Allowance for loan losses, June 30, 2015	\$ 6,598	\$ 5,928	\$ 2,612	\$ 2,118	\$ 98	\$ 150	\$ 17,504

Transactions in the allowance for loan losses for the six months ended June 30, 2015 were as follows:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses, January 1, 2015	\$ 7,114	\$ 5,310	\$ 2,479	\$ 2,205	\$ 71	\$ 194	\$ 17,373
Charge-offs	(139)	0	(156)	(1,000)	(86)	(105)	(1,486)
Recoveries	27	50	1	55	5	50	188
Provision (benefit) for loan losses	(404)	568	288	858	108	11	1,429
Allowance for loan losses, June 30, 2015	\$ 6,598	\$ 5,928	\$ 2,612	\$ 2,118	\$ 98	\$ 150	\$ 17,504

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Transactions in the allowance for loan losses for the three months ended June 30, 2014 were as follows:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses, April 1, 2014	\$ 8,278	\$ 3,704	\$ 2,455	\$ 1,972	\$ 68	\$ 197	\$ 16,674
Charge-offs	(319)	0	(76)	(369)	(2)	(64)	(830)
Recoveries	1	10	0	31	1	27	70
Provision for loan losses	136	867	88	362	21	27	1,501
Allowance for loan losses, June 30, 2014	\$ 8,096	\$ 4,581	\$ 2,467	\$ 1,996	\$ 88	\$ 187	\$ 17,415

Transactions in the allowance for loan losses for the six months ended June 30, 2014 were as follows:

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses, January 1, 2014	\$ 8,212	\$ 3,536	\$ 2,450	\$ 1,763	\$ 66	\$ 207	\$ 16,234
Charge-offs	(319)	(50)	(198)	(768)	(23)	(122)	(1,480)
Recoveries	1	10	19	53	3	55	141
Provision for loan losses	202	1,085	196	948	42	47	2,520
Allowance for loan losses, June 30, 2014	\$ 8,096	\$ 4,581	\$ 2,467	\$ 1,996	\$ 88	\$ 187	\$ 17,415

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and is based on the Corporation's impairment method as of June 30, 2015 and December 31, 2014. The recorded investment in loans excludes accrued interest and unearned discounts due to their insignificance.

June 30, 2015

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 282	\$ 490	\$ 190	\$ 0	\$ 0	\$ 0	\$ 962
Collectively evaluated for impairment	5,655	2,987	2,422	2,118	98	150	13,430
Acquired with deteriorated credit quality	0	0	0	0	0	0	0
Modified in a troubled debt restructuring	661	2,451	0	0	0	0	3,112
Total ending allowance balance	\$ 6,598	\$ 5,928	\$ 2,612	\$ 2,118	\$ 98	\$ 150	\$ 17,504
Loans:							
Individually evaluated for impairment	\$ 4,106	\$ 490	\$ 400	\$ 0	\$ 0	\$ 0	\$ 4,996
Collectively evaluated for impairment	431,721	384,841	537,929	71,584	5,130	1,560	1,432,765
Acquired with deteriorated credit quality	0	704	0	0	0	0	704
Modified in a troubled debt restructuring	3,983	13,220	0	0	0	0	17,203

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Total ending loans balance	\$ 439,810	\$ 399,255	\$ 538,329	\$ 71,584	\$ 5,130	\$ 1,560	\$ 1,455,668
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December 31, 2014

	Commercial, Industrial, and Agricultural	Commercial Mortgages	Residential Real Estate	Consumer	Credit Cards	Overdrafts	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	\$ 254	\$ 294	\$ 197	\$ 0	\$ 0	\$ 0	\$ 745
Collectively evaluated for impairment	6,703	2,503	2,282	2,205	71	194	13,958
Acquired with deteriorated credit quality	0	0	0	0	0	0	0
Modified in a troubled debt restructuring	157	2,513	0	0	0	0	2,670
Total ending allowance balance	\$ 7,114	\$ 5,310	\$ 2,479	\$ 2,205	\$ 71	\$ 194	\$ 17,373
Loans:							
Individually evaluated for impairment	\$ 3,394	\$ 494	\$ 657	\$ 0	\$ 0	\$ 0	\$ 4,545
Collectively evaluated for impairment	421,144	336,801	501,660	69,648	5,233	1,188	1,335,674
Acquired with deteriorated credit quality	0	719	0	0	0	0	719
Modified in a troubled debt restructuring	3,920	14,738	0	0	0	0	18,658
Total ending loans balance	\$ 428,458	\$ 352,752	\$ 502,317	\$ 69,648	\$ 5,233	\$ 1,188	\$ 1,359,596

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The following tables present information related to loans individually evaluated for impairment, including loans modified in troubled debt restructurings, by portfolio segment as of June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014:

June 30, 2015

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With an allowance recorded:			
Commercial, industrial, and agricultural	\$ 6,405	\$ 6,405	\$ 943
Commercial mortgage	9,554	9,022	2,941
Residential real estate	400	400	190
With no related allowance recorded:			
Commercial, industrial, and agricultural	2,642	1,684	0
Commercial mortgage	4,687	4,688	0
Residential real estate	0	0	0
Total	\$ 23,688	\$ 22,199	\$ 4,074

December 31, 2014

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated
With an allowance recorded:			
Commercial, industrial, and agricultural	\$ 5,737	\$ 5,737	\$ 411
Commercial mortgage	10,651	10,212	2,807
Residential real estate	400	400	197
With no related allowance recorded:			
Commercial, industrial, and agricultural	2,530	1,577	0
Commercial mortgage	5,020	5,020	0
Residential real estate	319	257	0
Total	\$ 24,657	\$ 23,203	\$ 3,415

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With an allowance recorded:						
Commercial, industrial, and agricultural	\$ 6,315	\$ 7	\$ 7	\$ 6,071	\$ 42	\$ 42
Commercial mortgage	9,646	0	0	9,617	0	0
Residential real estate	400	11	11	400	13	13
With no related allowance recorded:						
Commercial, industrial, and agricultural	1,689	2	2	1,631	12	12
Commercial mortgage	4,719	0	0	4,854	0	0
Residential real estate	129	4	4	129	6	6
Total	\$ 22,898	\$ 24	\$ 24	\$ 22,702	\$ 73	\$ 73

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	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With an allowance recorded:						
Commercial, industrial, and agricultural	\$ 4,318	\$ 1	\$ 1	\$ 4,438	\$ 2	\$ 2
Commercial mortgage	5,402	0	0	5,416	0	0
Residential real estate	200	3	3	133	11	11
With no related allowance recorded:						
Commercial, industrial, and agricultural	2,234	0	0	2,167	0	0
Commercial mortgage	6,249	0	0	6,217	0	0
Residential real estate	0	0	0	0	0	0
Total	\$ 18,403	\$ 4	\$ 4	\$ 18,371	\$ 13	\$ 13

The following table presents the recorded investment in nonaccrual loans and loans past due over 90 days still accruing interest by class of loans as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Nonaccrual	Past Due	Nonaccrual	Past Due
		Over 90 Days Still on Accrual		Over 90 Days Still on Accrual
Commercial, industrial, and agricultural	\$ 4,184	\$ 0	\$ 796	\$ 0
Commercial mortgages	3,716	0	4,323	0
Residential real estate	3,359	50	3,026	213
Consumer	730	17	1,045	0
Credit cards	0	0	0	0
Total	\$ 11,989	\$ 67	\$ 9,190	\$ 213

Nonaccrual loans and loans past due over 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The following table presents the aging of the recorded investment in past due loans as of June 30, 2015 and December 31, 2014 by class of loans.

June 30, 2015

	30-59 Days Past Due	60-89 Days Past Due	Greater Than	Total Past Due	Loans Not Past Due	Total
			90 Days Past Due			
Commercial, industrial, and agricultural	\$ 1,012	\$ 1,775	\$ 1,106	\$ 3,893	\$ 435,917	\$ 439,810
Commercial mortgages	1,136	0	3,716	4,852	394,403	399,255
Residential real estate	1,047	896	3,409	5,352	532,977	538,329
Consumer	287	159	747	1,193	70,391	71,584
Credit cards	0	0	0	0	5,130	5,130
Overdrafts	0	0	0	0	1,560	1,560

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Total	\$ 3,482	\$ 2,830	\$ 8,978	\$ 15,290	\$ 1,440,378	\$ 1,455,668
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	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Commercial, industrial, and agricultural	\$ 888	\$ 588	\$ 294	\$ 1,770	\$ 426,688	\$ 428,458
Commercial mortgages	20	1,351	4,323	5,694	347,058	352,752
Residential real estate	2,719	1,191	3,239	7,149	495,168	502,317
Consumer	265	122	1,045	1,432	68,216	69,648
Credit cards	0	83	0	83	5,150	5,233
Overdrafts	0	0	0	0	1,188	1,188
Total	\$ 5,083	\$ 2,144	\$ 8,901	\$ 16,128	\$ 1,343,468	\$ 1,359,596

Troubled Debt Restructurings

The terms of certain loans have been modified as troubled debt restructurings. The modification of the terms of such loans included either or both of the following: a reduction of the stated interest rate of the loan or an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk.

The following table presents the number of loans, loan balances, and specific reserves for loans that have been restructured in a troubled debt restructuring as of June 30, 2015 and December 31, 2014.

	June 30, 2015			December 31, 2014		
	Number of Loans	Loan Balance	Specific Reserve	Number of Loans	Loan Balance	Specific Reserve
Commercial, industrial, and agricultural	7	\$ 3,983	\$ 661	7	\$ 4,076	\$ 179
Commercial mortgages	8	13,220	2,451	8	14,582	2,491
Residential real estate	0	0	0	0	0	0
Consumer	0	0	0	0	0	0
Credit cards	0	0	0	0	0	0
Total	15	\$ 17,203	\$ 3,112	15	\$ 18,658	\$ 2,670

There were no loans modified as troubled debt restructurings during the three or six months ended June 30, 2015 or June 30, 2014.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. All loans modified in troubled debt restructurings are performing in accordance with their modified terms as of June 30, 2015 and December 31, 2014 and no principal balances were forgiven in connection with the loan restructurings.

In order to determine whether a borrower is experiencing financial difficulty, the Corporation performs an evaluation using the its internal underwriting policies of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without a loan modification. The Corporation has no further loan commitments to customers whose loans are classified as a troubled debt restructuring.

Generally, non-performing troubled debt restructurings are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Credit Quality Indicators

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The Corporation classifies commercial, industrial, and agricultural loans and commercial mortgage loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Loans with outstanding balances greater than \$1 million are analyzed at least semiannually and loans with outstanding balances of less than \$1 million are analyzed at least annually.

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The Corporation uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Corporation's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not rated as special mention, substandard, or doubtful are considered to be pass rated loans. All loans included in the following tables have been assigned a risk rating within 12 months of the balance sheet date.

June 30, 2015

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, industrial, and agricultural	\$ 418,471	\$ 3,824	\$ 17,237	\$ 278	\$ 439,810
Commercial mortgages	386,302	0	12,520	433	399,255
Total	\$ 804,773	\$ 3,824	\$ 29,757	\$ 711	\$ 839,065

December 31, 2014

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, industrial, and agricultural	\$ 402,923	\$ 6,703	\$ 18,525	\$ 307	\$ 428,458
Commercial mortgages	328,614	0	23,699	439	352,752
Total	\$ 731,537	\$ 6,703	\$ 42,224	\$ 746	\$ 781,210

The Corporation considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential real estate, consumer, and credit card loan classes, the Corporation also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investment in residential, consumer, and credit card loans based on payment activity as of June 30, 2015 and December 31, 2014:

	June 30, 2015			December 31, 2014		
	Residential Real Estate	Consumer	Credit Cards	Residential Real Estate	Consumer	Credit Cards
Performing	\$ 534,920	\$ 70,837	\$ 5,130	\$ 499,078	\$ 68,603	\$ 5,233
Non-performing	3,409	747	0	3,239	1,045	0
Total	\$ 538,329	\$ 71,584	\$ 5,130	\$ 502,317	\$ 69,648	\$ 5,233

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The Corporation's portfolio of residential real estate and consumer loans maintained within Holiday Financial Services Corporation (Holiday) are considered to be subprime loans. Holiday is a subsidiary that offers small balance unsecured and secured loans, primarily collateralized by automobiles and equipment, to borrowers with higher risk characteristics than are typical in the Bank's consumer loan portfolio.

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Holiday s loan portfolio is summarized as follows at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Consumer	\$ 27,431	\$ 27,916
Residential real estate	1,192	1,270
Less: unearned discount	(4,204)	(4,307)
Total	\$ 24,419	\$ 24,879

6. DEPOSITS

Total deposits at June 30, 2015 and December 31, 2014 are summarized as follows (in thousands):

	Percentage Change	June 30, 2015	December 31, 2014
Checking, non-interest bearing	5.4%	\$ 257,873	\$ 244,743
Checking, interest bearing	1.4%	459,463	453,102
Savings accounts	-3.1%	941,921	972,327
Certificates of deposit	15.0%	203,491	176,907
	0.8%	\$ 1,862,748	\$ 1,847,079

7. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the applicable period, excluding outstanding participating securities. Diluted earnings per share is computed using the weighted average number of shares determined for the basic computation plus the dilutive effect of potential common shares issuable under certain stock compensation plans. For the three and six months ended June 30, 2015, there were no outstanding stock options to include in the diluted earnings per share calculations.

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are excluded in the computation of earnings per share pursuant to the two-class method. The Corporation has determined that its outstanding unvested stock awards are participating securities.

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The computation of basic and diluted earnings per share is shown below (in thousands except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Basic earnings per common share computation:				
Net income per consolidated statements of income	\$ 5,602	\$ 5,617	\$ 11,167	\$ 10,783
Net earnings allocated to participating securities	(33)	(25)	(62)	(46)
Net earnings allocated to common stock	\$ 5,569	\$ 5,592	\$ 11,105	\$ 10,737
Distributed earnings allocated to common stock	\$ 2,362	\$ 2,375	\$ 4,731	\$ 4,751
Undistributed earnings allocated to common stock	3,207	3,217	6,374	5,986
Net earnings allocated to common stock	\$ 5,569	\$ 5,592	\$ 11,105	\$ 10,737
Weighted average common shares outstanding, including shares considered participating securities	14,404	14,450	14,410	14,447
Less: Average participating securities	(80)	(60)	(73)	(56)
Weighted average shares	14,324	14,390	14,337	14,391
Basic earnings per common share	\$ 0.39	\$ 0.39	\$ 0.77	\$ 0.75
Diluted earnings per common share computation:				
Net earnings allocated to common stock	\$ 5,569	\$ 5,592	\$ 11,105	\$ 10,737
Weighted average common shares outstanding for basic earnings per common share	14,324	14,390	14,366	14,391
Add: Dilutive effects of assumed exercises of stock options	0	1	0	2
Weighted average shares and dilutive potential common shares	14,324	14,391	14,366	14,393
Diluted earnings per common share	\$ 0.39	\$ 0.39	\$ 0.77	\$ 0.75

8. DERIVATIVE INSTRUMENTS

On May 3, 2011, the Corporation executed an interest rate swap agreement with a 5 year term and an effective date of September 15, 2013 in order to hedge cash flows associated with \$10 million of a subordinated note that was issued by the Corporation during 2007 and elected cash flow hedge accounting for the agreement. The Corporation's objective in using this derivative is to add stability to interest expense and to manage its exposure to interest rate risk. The interest rate swap involves the receipt of variable-rate amounts in exchange for fixed-rate payments from September 15, 2013 to September 15, 2018 without exchange of the underlying notional amount. At June 30, 2015, the variable rate on the subordinated debt was 1.84% (LIBOR plus 155 basis points) and the Corporation was paying 5.57% (4.02% fixed rate plus 155 basis points).

As of June 30, 2015 and December 31, 2014, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Corporation does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

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The following tables provide information about the amounts and locations of activity related to the interest rate swaps designated as cash flow hedges within the Corporation's consolidated balance sheet and statement of income as of June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014:

		Balance Sheet Location	Fair value as of June 30, 2015	December 31, 2014
Interest rate contracts		Accrued interest and other liabilities	(\$877)	(\$ 946)
For the Three Months Ended June 30, 2015				
	(a)	(b)	(c)	(d) (e)
Interest rate contracts		Interest expense		Other
	\$ 63	subordinated debentures	(\$ 94)	income \$ 0
For the Six Months Ended June 30, 2015				
	(a)	(b)	(c)	(d) (e)
Interest rate contracts		Interest expense		Other
	\$ 45	subordinated debentures	(\$ 189)	income \$ 0
For the Three Months Ended June 30, 2014				
	(a)	(b)	(c)	(d) (e)
Interest rate contracts		Interest expense		Other
	\$ 17	subordinated debentures	(\$ 95)	income \$ 0
For the Six Months Ended June 30, 2014				
	(a)	(b)	(c)	(d) (e)
Interest rate contracts		Interest expense		Other
	(\$ 7)	subordinated debentures	(\$ 191)	income \$ 0

- (a) Amount of Gain or (Loss) Recognized in Other Comprehensive Loss on Derivative (Effective Portion), net of tax
 - (b) Location of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
 - (c) Amount of Gain or (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)
 - (d) Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
 - (e) Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
- Amounts reported in accumulated other comprehensive loss related to the interest rate swap will be reclassified to interest expense as interest payments are made on the subordinated debentures. Such amounts reclassified from accumulated other comprehensive loss to interest expense in the next twelve months are expected to be \$373. As of June 30, 2015 and December 31, 2014, a cash collateral balance in the amount of \$1,400 was maintained with a counterparty to the interest rate swaps. These balances are included in interest bearing deposits with other banks on the consolidated balance sheet.

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In January 2014, the FASB issued Accounting Standards Update 2014-04, *Receivables – Troubled Debt Restructurings by Creditors* (Subtopic 310-40) (ASU 2014-04). The amendments in ASU 2014-04 clarify the circumstances under which an in substance repossession or foreclosure occurs and when a creditor is considered to have received physical possession of a residential real estate property collateralizing a residential real estate loan. The amendments in ASU 2014-04 also require interim and annual disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. ASU 2014-04 is effective for reporting periods beginning after December 15, 2014. The effect of adopting ASU 2014-04 did not have a material effect on the Corporation's financial statements.

In June 2014, the FASB issued ASU 2014-11 *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The amendments in ASU 2014-11 change the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The amendments also require two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. 2014-11 is effective for reporting periods beginning after December 15, 2014. The effect of adopting ASU 2014-11 did not have a material effect on the Corporation's financial statements.

In June 2014, the FASB issued ASU 2014-12 *Compensation – Stock Compensation (Topic 718)*. ASU 2014-12 clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. No new disclosures are required under ASU 2014-12. The guidance is effective for reporting periods beginning after December 15, 2015. The effect of adopting ASU 2014-12 is not expected to have a material effect on the Corporation's financial statements.

ITEM 2**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION****AND RESULTS OF OPERATIONS**

The following discussion and analysis of the consolidated financial statements of the Corporation is presented to provide insight into management's assessment of financial results. The Corporation's subsidiary, CNB Bank (the *Bank*), provides financial services to individuals and businesses primarily within its primary market area of the Pennsylvania counties of Blair, Cambria, Cameron, Centre, Clearfield, Crawford, Elk, Indiana, Jefferson, and McKean. As ERIEBANK, a division of CNB Bank, the Bank operates in the Pennsylvania counties of Crawford, Erie, and Warren, and the Ohio county of Ashtabula. As FCBank, a division of CNB Bank, the Bank operates in the Ohio counties of Crawford, Richland, Ashland, Wayne, Marion, Morrow, Knox, Holmes, Delaware, and Franklin.

The Bank is subject to regulation, supervision and examination by the Pennsylvania State Department of Banking as well as the Federal Deposit Insurance Corporation. The financial condition and results of operations of the Corporation and its consolidated subsidiaries are not necessarily indicative of future performance. CNB Securities Corporation is incorporated in Delaware and currently maintains investments in debt and equity securities. County Reinsurance Company is an Arizona corporation and provides credit life and disability insurance for customers of CNB Bank. CNB Insurance Agency, incorporated in Pennsylvania, provides for the sale of nonproprietary annuities and other insurance products. Holiday Financial Services Corporation (*Holiday*), incorporated in Pennsylvania, offers small balance unsecured loans and secured loans, primarily collateralized by automobiles and equipment, to borrowers with higher risk characteristics.

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When we use the terms “we”, “us” and “our”, we mean CNB Financial Corporation and its subsidiaries. Management’s discussion and analysis should be read in conjunction with the Corporation’s consolidated financial statements and related notes.

The following discussion should be read in conjunction with the Corporation’s Consolidated Financial Statements and Notes thereto, for the year ended December 31, 2014, included in its 2014 Form 10-K, and in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 1 of this report. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results for the full year ending December 31, 2015, or any future period.

GENERAL OVERVIEW

Management uses return on average equity, earnings per share, asset quality, and other metrics to measure the performance of the Corporation. The interest rate environment will continue to play an important role in the future earnings of the Corporation. During the past several years, in order to address the historically low interest rates that are primarily tied to short-term rates, such as the Prime Rate, the Corporation has taken a variety of measures including instituting rate floors on our commercial lines of credit and home equity lines.

Non-interest costs are expected to increase with the growth of the Corporation; however, management’s growth strategies are expected to also result in an increase in earning assets as well as enhanced non-interest income which is expected to more than offset increases in non-interest expenses in 2015 and beyond. While past results are not an indication of future earnings, management believes the Corporation is well-positioned to sustain earnings during 2015.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled \$30.4 million at June 30, 2015 compared to \$27.9 million at December 31, 2014. Cash and cash equivalents fluctuate based on the timing and amount of liquidity events that occur in the normal course of business.

Management believes the liquidity needs of the Corporation are satisfied by the current balance of cash and cash equivalents, readily available access to traditional funding sources, Federal Home Loan Bank financing, and the portions of the securities and loan portfolios that mature within one year. The Corporation expects that these sources of funds will enable it to meet cash obligations and off-balance sheet commitments as they come due.

SECURITIES

Securities available for sale and trading securities decreased by \$45.4 million, or 6.6% since December 31, 2014, and associated cash proceeds were used primarily to fund loan growth. The footnotes to the consolidated financial statements provide more detail concerning the composition of the Corporation’s securities portfolio, the process for evaluating securities for other-than-temporary impairment, and for valuation of structured pooled trust preferred securities.

The Corporation generally buys into the market over time and does not attempt to time its transactions. In doing this, the highs and lows of the market are averaged into the portfolio and the overall effect of different rate environments is minimized. The Corporation monitors the earnings performance and the effectiveness of the liquidity of the securities portfolio on a regular basis through meetings of the Asset/Liability Committee of the Corporation’s Board of Directors (ALCO). The ALCO also reviews and manages interest rate risk for the Corporation. Through active balance sheet management and analysis of the securities portfolio, a sufficient level of liquidity is maintained to satisfy depositor requirements and various credit needs of our customers.

LOANS

The Corporation experienced an increase in loans, net of unearned discount, of \$96.2 million, or 7.1%, during the first six months of 2015. Lending efforts consist principally of commercial and retail lending, which includes single family residential mortgages and other consumer loans. The Corporation views commercial lending as its competitive advantage and continues to focus on this area by hiring and retaining experienced loan officers and supporting them with quality credit analysis. Although loan balances increased only slightly in the first quarter, the increase in loan demand was more significant in the second quarter and the Corporation expects solid loan growth throughout the remainder of 2015 across all of its market areas.

Table of Contents**ALLOWANCE FOR LOAN LOSSES**

The allowance for loan losses is established by provisions for losses in the loan portfolio as well as overdrafts in deposit accounts. These provisions are charged against current income. Loans and overdrafts deemed not collectible are charged off against the allowance while any subsequent collections are recorded as recoveries and increase the allowance.

The table below shows activity within the allowance account for the specified periods (in thousands):

	Six months ending June 30, 2015	Year ending December 31, 2014	Six months ended June 30, 2014
Balance at beginning of period	\$ 17,373	\$ 16,234	\$ 16,234
Charge-offs:			
Commercial, industrial, and agricultural	(139)	(618)	(319)
Commercial mortgages		(50)	(50)
Residential real estate	(156)	(436)	(198)
Consumer	(1,000)	(1,744)	(768)
Credit cards	(86)	(78)	(23)
Overdrafts	(105)	(256)	(122)
	(1,486)	(3,182)	(1,480)
Recoveries:			
Commercial, industrial, and agricultural	27	1	1
Commercial mortgages	50	210	10
Residential real estate	1	41	19
Consumer	55	93	53
Credit cards	5	25	3
Overdraft deposit accounts	50	111	55
	188	481	141
Net charge-offs	(1,298)	(2,701)	(1,339)
Provision for loan losses	1,429	3,840	2,520
Balance at end of period	\$ 17,504	\$ 17,373	\$ 17,415
Loans, net of unearned	\$ 1,451,464	\$ 1,355,289	\$ 1,308,331
Allowance to net loans	1.21%	1.28%	1.33%
Net charge-offs to average loans (annualized)	0.19%	0.18%	0.21%
Nonperforming assets	\$ 13,087	\$ 10,209	\$ 13,367
Nonperforming % of total assets	0.58%	0.47%	0.62%

The adequacy of the allowance for loan losses is subject to a formal analysis by the Credit Administrator of the Corporation. As part of the formal analysis, delinquencies and losses are monitored monthly. The loan portfolio is divided into several categories in order to better analyze the entire pool. First is a selection of classified loans that is given a specific reserve. The remaining loans are pooled, by category, into these segments:

Reviewed

Commercial, industrial, and agricultural

Homogeneous Commercial mortgages

Residential real estate

Consumer

Credit cards

Overdrafts

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The reviewed loan pools are further segregated into four categories: special mention, substandard, doubtful, and unclassified. Historical loss factors are calculated for each pool excluding overdrafts based on the previous eight quarters of experience. The homogeneous pools are evaluated by analyzing the historical loss factors from the most previous quarter end and the two most recent year ends.

The historical loss factors for both the reviewed and homogeneous pools are adjusted based on the following six qualitative factors:

levels of and trends in delinquencies, non-accrual loans, and classified loans;

trends in volume and terms of loans;

effects of any changes in lending policies and procedures;

experience and ability of management;

national and local economic trends and conditions; and

concentrations of credit.

The methodology described above was created using the experience of the Corporation's Credit Administrator, guidance from the regulatory agencies, expertise of a third-party loan review provider, and discussions with peers. The resulting factors are applied to the pool balances in order to estimate the probable risk of loss within each pool. Prudent business practices dictate that the level of the allowance, as well as corresponding charges to the provision for loan losses, should be commensurate with identified areas of risk within the loan portfolio and the attendant risks inherent therein. The quality of the credit risk management function and the overall administration of this vital segment of the Corporation's assets are critical to the ongoing success of the Corporation.

The previously mentioned analysis considers numerous historical and other factors to analyze the adequacy of the allowance and current period charges against the provision for loan losses. Management uses the analysis to compare and plot the actual level of the allowance against the aggregate amount of loans adversely classified in order to compute the estimated probable losses associated with those loans. Management then determines the current adequacy of the allowance and evaluates trends that may be developing. The volume and composition of the Corporation's loan portfolio continue to reflect growth in commercial credits including commercial real estate loans.

As mentioned in the Loans section of this analysis, management considers commercial lending to be a competitive advantage and continues to focus on this area as part of its strategic growth initiatives. However, management recognizes and considers the fact that risk is more pronounced in these types of credits and is, to a greater degree than with other loans, driven by the economic environment in which the debtor's business operates.

During the six months ended June 30, 2015, CNB recorded a provision for loan losses of \$1.4 million, as compared to a provision for loan losses of \$2.5 million for the six months ended June 30, 2014. The decrease in the provision for loan losses in the first six months of 2015 compared to the first six months of 2014 primarily reflects lower historical loss rates in all portfolio segments over the period of analysis. During the first quarter of 2015, a commercial and industrial loan that was modified in a troubled debt restructuring in 2014 deteriorated and resulted in an additional provision for loan losses of \$620 thousand. This loan was placed on nonaccrual status in the second quarter of 2015, and no additional provision for loan losses was required in the second quarter.

Management believes that the allowance for loan losses is reasonable and adequate to absorb probable incurred losses in the Corporation's portfolio at June 30, 2015.

FUNDING SOURCES

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The Corporation considers deposits, short-term borrowings, and term debt when evaluating funding sources. Deposits increased \$16 million from \$1.847 billion at December 31, 2014 to \$1.863 billion at June 30, 2015.

Periodically, the Corporation utilizes term borrowings from the Federal Home Loan Bank (FHLB) and other lenders to meet funding needs. Management plans to maintain access to short-term and long-term borrowings as an available funding source.

Table of Contents**SHAREHOLDERS EQUITY AND CAPITAL RATIOS AND METRICS**

The Corporation's capital continued to provide a base for profitable growth through June 30, 2015. Total shareholders' equity was \$192.7 million at June 30, 2015 and \$188.5 million at December 31, 2014. In the first six months of 2015, the Corporation earned \$11.2 million and declared dividends of \$4.8 million, resulting in a dividend payout ratio of 42.6% of net income.

The Corporation is required to comply with standards of capital adequacy mandated by banking regulators. On January 1, 2015, rules to implement Basel III capital requirements became effective for community banks. The June 30, 2015 regulatory capital ratios were prepared under the Basel III capital requirements. Prior year ratios were prepared under Basel I requirements. The Corporation exceeded all of its regulatory capital requirements under the applicable guidelines for the respective periods.

The Corporation's capital ratios, book value per share and tangible book value per share as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Total risk-based capital ratio	14.00%	14.30%
Tier 1 capital ratio	12.82%	13.06%
Tier 1 common equity ratio	11.47%	N/A
Leverage ratio	8.61%	8.39%
Tangible common equity/tangible assets (1)	7.31%	7.32%
Book value per share	\$ 13.38	\$ 13.09
Tangible book value per share (1)	\$ 11.29	\$ 10.97

- (1) Tangible common equity, tangible assets and tangible book value per share are non-GAAP financial measures calculated using GAAP amounts. Tangible common equity is calculated by excluding the balance of goodwill and core deposit intangibles from the calculation of shareholders' equity. Tangible assets is calculated by excluding the balance of goodwill and core deposit intangibles from the calculation of total assets. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding. The Corporation believes that these non-GAAP financial measures provide information to investors that is useful in understanding its financial condition because, in the case of the tangible common equity to tangible assets ratio, it is an additional measure used to assess capital adequacy, and, in the case of tangible book value per share, it is an additional measure used to assess the Corporation's value. Because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. A reconciliation of these non-GAAP financial measures is provided below (dollars in thousands, except share and per share data).

	June 30, 2015	December 31, 2014
Shareholders' equity	\$ 192,737	\$ 188,548
Less goodwill	27,194	27,194
Less core deposit intangible	2,885	3,403
Tangible common equity	\$ 162,658	\$ 157,951
Total assets	\$ 2,253,789	\$ 2,189,213
Less goodwill	27,194	27,194
Less core deposit intangible	2,885	3,403
Tangible assets	\$ 2,223,710	\$ 2,158,616
Ending shares outstanding	14,404,466	14,404,416
Tangible book value per share	\$ 11.29	\$ 10.97
Tangible common equity/tangible assets	7.31%	7.32%

Table of Contents**LIQUIDITY**

Liquidity measures an organization's ability to meet cash obligations as they come due. The consolidated statement of cash flows provides analysis of the Corporation's cash and cash equivalents. Additionally, management considers that portion of the loan and investment portfolio that matures within one year to be part of the Corporation's liquid assets. The Corporation's liquidity is monitored by both management and the ALCO, which establishes and monitors ranges of acceptable liquidity. Management believes the Corporation's current liquidity position is acceptable.

OFF BALANCE SHEET ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off balance sheet risk was as follows at June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	\$ 24,154	\$ 254,273	\$ 28,831	\$ 254,269
Unused lines of credit	0	83,266	0	80,428
Standby letters of credit	0	15,914	0	15,132

Commitments to make loans are generally made for periods of 60 days or less. The fixed rate loan commitments have interest rates ranging from 1.69% to 18.00% and maturities ranging from 3 months to 20 years at both June 30, 2015 and December 31, 2014.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2015 and 2014

OVERVIEW OF THE INCOME STATEMENT

The Corporation had net income of \$5.6 million in the second quarter of 2015 and 2014. The earnings per diluted share were \$0.39 in the second quarter of 2015 and 2014. The annualized return on assets and return on equity for the second quarter of 2015 are 1.00% and 11.48% compared to 1.04% and 12.58% for the second quarter of 2014.

INTEREST INCOME AND EXPENSE

Net interest margin on a fully tax equivalent basis was 3.62% for the three months ended June 30, 2015, compared to 3.79% for the three months ended June 30, 2014. Net accretion included in loan interest income in the second quarter of 2015 was \$288 thousand, which resulted in an increase in the June 30, 2015 net interest margin of 5 basis points and was \$457 thousand for the three months ended June 30, 2014, which resulted in an increase to the net interest margin of 9 basis points. During the second quarter of 2015, the Corporation experienced net interest margin compression as a result of loans repricing and new loans being added with market yields below historical averages, which is consistent with the trends across the financial services industry in this historically low interest rate environment.

Total interest and dividend income was \$21.3 million for the three months ended June 30, 2015, a decrease of \$112 thousand, or 0.5%, compared to the three months ended June 30, 2014. During the three months ended June 30, 2015, total interest expense increased by \$180 thousand, or 0.6%, compared to the three months ended June 30, 2014.

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PROVISION FOR LOAN LOSSES

The Corporation recorded a provision for loan losses of \$486 thousand in the second quarter of 2015 compared to \$1.5 million in the second quarter of 2014. The decrease in the provision for loan losses in the second quarter of 2015 compared to the second quarter of 2014 primarily reflects lower historical loss rates in all portfolio segments over the period of analysis.

Management believes the provision for loan losses was appropriate and the allowance for loan losses is adequate to absorb probable incurred losses in our portfolio as of June 30, 2015.

NON-INTEREST INCOME

Non-interest income was \$4.1 million for the three months ended June 30, 2015, compared to \$3.5 million for the three months ended June 30, 2014. This increase is due primarily to higher securities gains and higher interchange fees from debit and credit card transactions in the second quarter of 2015 as compared to the second quarter of 2014.

NON-INTEREST EXPENSES

Total non-interest expenses increased \$1.5 million, or 12.0%, to \$14.1 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Salaries and benefits expenses increased \$1.1 million, or 16.5%, to \$7.5 million during the three months ended June 30, 2015 compared to the three months ended June 30, 2014 due to an increase in average full-time equivalent employees as well as routine merit increases and increases in certain employee benefit expenses, such as health insurance premiums, which continue to increase in line with market conditions. During the three months ended June 30, 2015, CNB hired 10 additional full-time equivalent staff to facilitate the Corporation's continued growth.

INCOME TAX EXPENSE

Income tax expense was \$2.1 million in the second quarter of 2015 and \$2.2 million in the second quarter of 2014, resulting in effective tax rates of 27.1% and 28.4% for the periods, respectively. The effective rates for the periods differed from the federal statutory rate of 35.0% principally as a result of tax exempt income from securities and loans as well as earnings from bank owned life insurance.

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CONSOLIDATED YIELD COMPARISONS

AVERAGE BALANCES AND NET INTEREST MARGIN FOR THE SIX MONTHS ENDED

Dollars in thousands

	June 30, 2015			June 30, 2014		
	Average Balance	Annual Rate	Interest Inc./Exp.	Average Balance	Annual Rate	Interest Inc./Exp.
ASSETS:						
Securities:						
Taxable (1)	\$ 520,474	2.26%	\$ 5,850	\$ 563,298	2.35%	\$ 6,690
Tax-Exempt (1,2)	136,080	4.27%	2,830	128,771	4.35%	2,752
Equity Securities (1,2)	11,603	8.72%	506	11,438	4.13%	236
Total securities	668,157	2.78%	9,186	703,507	2.74%	9,678
Loans:						
Commercial (2)	448,758	4.77%	10,699	425,057	4.81%	10,230
Mortgage (2)	872,005	4.78%	20,824	821,989	5.04%	20,702
Consumer	72,215	10.16%	3,668	51,415	13.88%	3,569
Total loans (3)	1,392,978	5.05%	35,191	1,298,461	5.31%	34,501
Total earning assets	\$ 2,061,135	4.32%	\$ 44,377	\$ 2,001,968	4.40%	\$ 44,179
Non interest-bearing assets:						
Cash and due from banks	28,178			30,938		
Premises and equipment	36,653			32,501		
Other assets	94,637			91,467		
Allowance for loan losses	(17,792)			(16,840)		
Total non interest-bearing assets	141,676			138,066		
TOTAL ASSETS	\$ 2,202,811			\$ 2,140,034		
LIABILITIES AND SHAREHOLDERS EQUITY:						
Demand interest-bearing	\$ 450,979	0.35%	\$ 792	\$ 447,921	0.36%	\$ 803
Savings	950,942	0.50%	2,358	940,613	0.47%	2,213
Time	199,353	1.07%	1,062	222,452	1.02%	1,133
Total interest-bearing deposits	1,601,274	0.53%	4,212	1,610,986	0.52%	4,149
Short-term borrowings	39,537	0.23%	45	18,255	0.10%	9
Long-term borrowings	75,717	4.17%	1,578	75,570	4.24%	1,602
Subordinated debentures	20,620	3.60%	371	20,620	3.61%	372
Total interest-bearing liabilities	1,737,148	0.71%	\$ 6,206	1,725,431	0.71%	\$ 6,132
Demand non interest-bearing	248,862			217,581		
Other liabilities	22,155			21,398		

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Total liabilities	2,008,165		1,964,410	
Shareholders' equity	194,646		175,624	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,202,811		\$ 2,140,034	
Interest income/Earning assets	4.32%	\$ 44,377	4.40%	\$ 44,179
Interest expense/Interest-bearing liabilities	0.71%	6,206	0.71%	6,132
Net interest spread	3.61%	\$ 38,171	3.69%	\$ 38,047
Interest income/Earning assets	4.32%	\$ 44,377	4.40%	\$ 44,179
Interest expense/Earning assets	0.60%	6,206	0.61%	6,132
Net interest margin	3.72%	\$ 38,171	3.79%	\$ 38,047

- (1) Includes unamortized discounts and premiums. Average balance is computed using the carrying value of securities. The average yield has been computed using the historical amortized cost average balance for available for sale securities.
- (2) Average yields are stated on a fully taxable equivalent basis.
- (3) Average outstanding includes the average balance outstanding of all non-accrual loans. Loans consist of the average of total loans less average unearned income. The amount of loan fees included in the interest income on loans is not material.

Table of Contents**Six Months Ended June 30, 2015 and 2014****OVERVIEW OF THE INCOME STATEMENT**

The Corporation had net income of \$11.2 million for the six months ended June 30, 2015, compared to \$10.8 million for the same period of 2014. The earnings per diluted share were \$0.77 for the six months ended June 30, 2015 and \$0.75 for the six months ended June 30, 2014. The return on average assets and return on average equity for the six months ended June 30, 2015 are 1.01% and 11.47%, respectively, compared to 1.01% and 12.28%, respectively, for the same period of 2014.

INTEREST INCOME AND EXPENSE

The Corporation's net interest margin on a fully tax equivalent basis was 3.72% for the six months ended June 30, 2015, compared to 3.79% for the six months ended June 30, 2014. Net accretion included in loan interest income in the six months ended June 30, 2015 was \$1.3 million, resulting in an increase in the net interest margin of 14 basis points and was \$457 thousand for the six months ended June 30, 2014, which resulted in an increase to the net interest margin of 9 basis points. During the first six months of 2015, the Corporation experienced net interest margin compression as a result of loans repricing and new loans with market yields significantly below historical averages, which is consistent with the trends across the financial services industry in this historically low interest rate environment.

Total interest and dividend income was \$42.9 million for the six months ended June 30, 2015, an increase of \$92 thousand, or 0.2%, as compared to the six months ended June 30, 2014. The Corporation's total earning assets have grown and the asset mix has also shifted to a higher percentage of loans and less investments, which has resulted in higher levels of interest income. During the six months ended June 30, 2015, total interest expense increased by \$74 thousand, or 1.2%, compared to the six months ended June 30, 2014.

PROVISION FOR LOAN LOSSES

The Corporation recorded a provision for loan losses of \$1.4 million during the six months ended June 30, 2015 compared to \$2.5 million during the six months ended June 30, 2014. Net charge-offs for the six months ended June 30, 2015 were \$1.3 million, compared to net charge-offs of \$1.3 million during the six months ended June 30, 2014. The decrease in the provision for loan losses in the first six months of 2015 compared to the first six months of 2014 primarily reflects lower historical loss rates in all portfolio segments over the period of analysis.

Management believes the provision for loan losses was appropriate and the allowance for loan losses is adequate to absorb probable incurred losses in our portfolio as of June 30, 2015.

NON-INTEREST INCOME

Total non-interest income was \$7.2 million for the six months ended June 30, 2015, compared to \$6.7 million for the six months ended June 30, 2014. Non-interest income as a percentage of average assets increased from 0.63% during the first six months of 2014 to 0.66% during the first six months of 2015. This increase is due primarily to higher securities gains and higher interchange fees from debit and credit card transactions in the first six months of 2015 as compared to the first six months of 2014.

NON-INTEREST EXPENSES

Total non-interest expenses increased \$1.3 million, or 5.2%, to \$27.2 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Salaries and benefits expenses increased \$860 thousand, or 6.5%, to \$14.1 million during the six months ended June 30, 2015 compared to the six months ended June 30, 2014 due to an increase in average full-time equivalent employees as well as routine merit increases and increases in certain employee benefit expenses, such as health insurance premiums, which continue to increase in line with market conditions. During the first six months of 2015, the Corporation hired 20 additional full-time equivalent staff to facilitate the Corporation's continued growth. In addition, expenses associated with outsourced services increased \$173 thousand during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

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INCOME TAX EXPENSE

Income tax expense was \$4.2 million for the six months ended June 30, 2015 as compared to \$4.3 million for the six months ended June 30, 2014, resulting in effective tax rates of 27.2% and 28.4% for the periods, respectively. The effective rates for the periods differed from the federal statutory rate of 35.0% principally as a result of tax exempt income from securities and loans, earnings from bank owned life insurance, and nondeductible merger costs.

CRITICAL ACCOUNTING POLICIES

The Corporation's accounting and reporting policies are in accordance with GAAP and conform to general practices within the financial services industry. Accounting and reporting practices for the allowance for loan losses and fair value of securities are deemed critical since they involve the use of estimates and require significant management judgments. In addition, the fair value of assets acquired and liabilities assumed in connection with business combinations, including the associated goodwill that was recorded, required the use of material estimates. Application of assumptions different than those used by management could result in material changes in the Corporation's financial position or results of operations. Note 1 (Summary of Significant Accounting Policies), Note 2 (Business Combination), Note 4 (Securities), and Note 5 (Loans) of the Corporation's 2014 Form 10-K provide detail with regard to the Corporation's accounting for the allowance for loan losses, the fair value of securities, business combinations and loans. There have been no significant changes in the application of accounting policies since December 31, 2014.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a financial institution, the Corporation's primary source of market risk is interest rate risk, which is the exposure to fluctuations in the Corporation's future earnings resulting from changes in interest rates. This exposure is correlated to the repricing characteristics of the Corporation's portfolio of assets and liabilities. Each asset or liability reprices either at maturity or during the life of the instrument.

The principal purpose of asset/liability management is to maximize current and future net interest income within acceptable levels of interest rate risk while satisfying liquidity and capital requirements. Net interest income is enhanced by increasing the net interest margin and by the growth in earning assets. As a result, the primary goal of interest rate risk management is to maintain a balance between risk and reward such that net interest income is maximized while risk is maintained at an acceptable level.

The Corporation uses an asset-liability management model to measure the effect of interest rate changes on its net interest income. The Corporation's management also reviews asset-liability maturity gap and repricing analyses regularly. The Corporation does not always attempt to achieve a precise match between interest sensitive assets and liabilities because it believes that an actively managed amount of interest rate risk is inherent and appropriate in the management of the Corporation's profitability.

Asset-liability modeling techniques and simulation involve assumptions and estimates that inherently cannot be measured with precision. Key assumptions in these analyses include maturity and repricing characteristics of assets and liabilities, prepayments on amortizing assets, non-maturing deposit sensitivity, and loan and deposit pricing. These assumptions are inherently uncertain due to the timing, magnitude, and frequency of rate changes and changes in market conditions and management strategies, among other factors. However, the analyses are useful in quantifying risk and provide a relative gauge of the Corporation's interest rate risk position over time.

Management reviews interest rate risk on a quarterly basis and reports to the ALCO. This review includes earnings shock scenarios whereby interest rates are immediately increased and decreased by 100, 300, and 400 basis points. These scenarios,

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detailed in the table below, indicate that there would not be a significant variance in net interest income over a one-year period due to interest rate changes; however, actual results could vary significantly. All interest rate risk levels according to the model were within the tolerance limits of ALCO approved policy of +/- 25%. In addition, the table does not take into consideration changes that management would make to realign its assets and liabilities in the event of an unexpected change in the interest rate environment. Due to the historically low interest rate environment, the -300 and -400 scenarios have been excluded from the table.

June 30, 2015		December 31, 2014	
Change in	% Change in Net	Change in	% Change in Net
Basis Points	Interest Income	Basis Points	Interest Income
400	1.2%	400	-0.1%
300	2.3%	300	1.1%
100	1.5%	100	1.4%
(100)	-2.8%	(100)	-2.9%

ITEM 4**CONTROLS AND PROCEDURES**

As of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) (Exchange Act). Based on their evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of the end of the period covered by this quarterly report to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. There were no changes in the Corporation's internal control over financial reporting that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS None

ITEM 1A. RISK FACTORS There have been no material changes to the risk factors disclosed in Part I, Item IA of the 2014 Form 10-K.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of the Corporation, filed as Appendix B to the 2006 Proxy Statement, filed with the SEC on March 24, 2006, and incorporated herein by reference.
3.2	By-Laws of the Corporation, as amended and restated, filed as Appendix C to the 2006 Proxy Statement, filed with the SEC on March 24, 2006, and incorporated herein by reference.
31.1	Rule 13a 14(a)/15d 14(a) Certification of the Principal Executive Officer
31.2	Rule 13a 14(a)/15d 14(a) Certification of the Principal Financial Officer
32.1	Section 1350 Certification
32.2	Section 1350 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CNB FINANCIAL CORPORATION
(Registrant)

DATE: August 6, 2015

/s/ Joseph B. Bower, Jr.
Joseph B. Bower, Jr.
President and Director
(Principal Executive Officer)

DATE: August 6, 2015

/s/ Brian W. Wingard
Brian W. Wingard
Treasurer
(Principal Financial Officer)

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document