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Disruptions in the liquidity and other functioning of financial markets, including such disruptions in the market for real estate and other assets commonly securing financial products.

Ÿ Actions by the Federal Reserve Board and other government agencies, including those that impact money supply and market interest rates.

Ÿ Changes in our customers' and suppliers' performance in general and their creditworthiness in particular.

Ÿ Changes in customer preferences and behavior, whether as a result of changing business and economic conditions or other factors.

Ÿ Changes resulting from the newly enacted Dodd-Frank Wall Street Reform and Consumer Protection Act.

Ÿ A continuation of recent turbulence in significant segments of the United States and global financial markets, particularly if it worsens, could impact our performance, both directly by affecting our revenues and the value of our assets and liabilities and indirectly by affecting our customers and suppliers and the economy generally.

Ÿ Our business and financial performance could be impacted as the financial industry restructures in the current environment by changes in the competitive landscape.

Ÿ Given current economic and financial market conditions, our forward-looking statements are subject to the risk that these conditions will be substantially different than we are currently expecting. These statements are based on our current expectations that interest rates will remain low throughout most of 2011 with consistent credit spreads and our view that national economic trends currently point to improving economic conditions into 2011 and a subdued recovery.

Ÿ Legal and regulatory developments could have an impact on our ability to operate our businesses or our financial condition or results of operations or our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention, our ability to attract and retain management, liquidity and funding. These legal and regulatory developments could include: (a) the unfavorable resolution of legal proceedings or regulatory and other governmental inquiries; (b) increased litigation risk from recent regulatory and other governmental developments; (c) the results of the regulatory examination process, and regulators' future use of supervisory and enforcement tools; (d) legislative and regulatory reforms, including changes to laws and regulations involving tax, pension, education and mortgage lending, the protection of confidential customer information, and other aspects of the financial institution industry; and (e) changes in accounting policies and principles.

Ÿ Our business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through the effective use of third-party insurance and capital management techniques.

Ÿ Our ability to anticipate and respond to technological changes can have an impact on our ability to respond to customer needs and to meet competitive demands.

- Our ability to implement our business initiatives and strategies could affect our financial performance over the next several years.

- Competition can have an impact on customer acquisition, growth and retention, as well as on our credit spreads and product pricing, which can affect market share, deposits and revenues.

- Our business and operating results can also be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and capital and other financial markets generally or on us or on our customers and suppliers.

The words “believe,” “expect,” “anticipate,” “project” and similar expressions signify forward looking statements. Readers are cautioned not to place undue reliance on any forward looking statements made by or on behalf of us. Any such statement speaks only as of the date the statement was made. We undertake no obligation to update or revise any forward looking statements.

The following discussion and analysis should be read in conjunction with the detailed information and consolidated financial statements, including notes thereto, included elsewhere in this Annual Report. Our consolidated financial condition and results of operations are essentially those of our subsidiary, the Bank. Therefore, the analysis that follows is directed to the performance of the Bank.

RESULTS OF OPERATIONS

NET INTEREST INCOME

2011 vs. 2010
Tax-equivalent net interest income, as reflected in the following tables, decreased $198 thousand to $10.3 million at June 30, 2011 when compared to the same 2010 time period. Reported tax-equivalent interest income decreased $995 thousand to $13.0 million for the six months ended June 30, 2011 when compared to the same 2010 time period. The decrease to interest income was primarily rate driven as maturing and called investment securities re-priced throughout the past year. Investment security tax-equivalent interest income for the six months ended June 30, 2011 decreased $625 thousand when compared to 2010 results. Reported interest expense decreased $797 thousand to $2.7 million for the six months ended June 30, 2011 when compared to the same 2010 time period. The decrease was primarily rate driven as maturing time deposits re-priced during the year lowering the average rate paid on interest-bearing deposits to 1.18 percent for the six months ended June 30, 2011 from 1.49 percent at June 30, 2010.

Net interest margin decreased to 3.58 percent at June 30, 2011 from 3.77 percent at June 30, 2010. The overall net decrease in margin resulted from the yield on investment securities decreasing 61 basis points to 3.10 percent and the yield on loans decreasing 34 basis points to 5.69 percent at June 30, 2011. As discussed above, the decrease in loan and investment security yields were partially offset by a 31 basis point decrease in deposit yields and a 57 basis point decrease in other borrowings. The 189 basis point yield decrease on long-term borrowings reflects the maturity and repayment of several FHLB borrowings totaling $9.0 million during 2010. The FHLB borrowings carried approximate annual percentage rates of 6.0 percent.

The following Average Balance Sheet and Rate Analysis table presents the average assets, actual income or expense and the average yield on assets, liabilities and stockholders' equity for the six months ended June 30, 2011 and 2010.

AVERAGE BALANCE SHEET AND RATE ANALYSIS
SIX MONTHS ENDED JUNE 30,

(In Thousands)	2011 Average Balance (1)	Interest	Average Rate		2010 Average Balance (1)	Interest	Average Rate	
ASSETS:								
Tax-exempt loans	$27,618	$856	6.25	%	$21,051	$671	6.43	%
All other loans	316,625	8,864	5.65	%	316,710	9,433	6.01	%
Total loans (2)(3)(4)	344,243	9,720	5.69	%	337,761	10,104	6.03	%
Taxable securities	194,527	2,843	2.92	%	197,841	3,559	3.60	%
Tax-exempt securities (3)	15,037	402	5.35	%	10,730	311	5.80	%
Total securities	209,564	3,245	3.10	%	208,571	3,870	3.71	%
Federal funds sold	1,574	1	0.13	%	1,250	1	0.16	%
Interest-bearing deposits	21,865	27	0.25	%	10,896	13	0.24	%
Total interest-earning assets	577,246	12,993	4.53	%	558,478	13,988	5.04	%
Other assets	43,783				45,555			
TOTAL ASSETS	$621,029				$604,033			
LIABILITIES:								
Savings	$67,703	117	0.35	%	$61,091	121	0.40	%
Now deposits	72,545	48	0.13	%	70,759	50	0.14	%
Money market deposits	46,953	128	0.55	%	42,596	165	0.78	%
Time deposits	229,338	2,139	1.88	%	235,616	2,700	2.31	%
Total deposits	416,539	2,432	1.18	%	410,062	3,036	1.49	%
Short-term borrowings	53,505	158	0.60	%	50,717	205	0.82	%
Long-term borrowings	7,038	79	2.26	%	10,983	226	4.15	%
Junior subordinate debentures	4,640	48	2.09	%	4,640	47	2.04	%
Total borrowings	65,183	285	0.88	%	66,340	478	1.45	%
Total interest-bearing liabilities	481,722	2,717	1.14	%	476,402	3,514	1.49	%
Demand deposits	67,920				56,544			
Other liabilities	2,522				4,464			
Stockholders' equity	68,865				66,623			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$621,029				$604,033			
Interest rate spread (6)			3.39	%			3.55	%
Net interest income/margin (5)		$ 10,276	3.58	%		$10,474	3.77	%

(1) Average volume information was compared using daily (or monthly) averages for interest-earning and bearing accounts. Certain balance sheet items utilized quarter-end balances for averages.

(2) Interest on loans includes fee income.
(3) Tax exempt interest revenue is shown on a tax-equivalent basis using a statutory federal income tax rate of 34 percent for 2011 and 2010.
(4) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.
(5) Net interest margin is computed by dividing annualized net interest income by total interest earning assets.
(6) Interest rate spread represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities.

Reconcilement of Taxable Equivalent Net Interest Income
For the Six Months Ended June 30,

(In Thousands)	2011	2010
Total interest income	$ 12,565	$ 13,654
Total interest expense	2,717	3,514
Net interest income	9,848	10,140
Tax equivalent adjustment	428	334
Net interest income (fully taxable equivalent)	$ 10,276	$ 10,474

Rate/Volume Analysis

To enhance the understanding of the effects of volumes (the average balance of earning assets and costing liabilities) and average interest rate fluctuations on the consolidated balance sheet as it pertains to net interest income, the table below reflects these changes for 2011 versus 2010:

(In Thousands)	Six Months Ended June 30, 2011 vs 2010 Increase (Decrease) Due to		
	Volume	Rate	Net
Interest income:			
Loans, tax-exempt	$ 204	$ (19)	$ 185
Loans	(2)	(567)	(569)
Taxable investment securities	(48)	(668)	(716)
Tax-exempt investment securities	115	(24)	91
Federal funds sold	-	-	-
Interest bearing deposits	14	-	14
Total interest-earning assets	283	(1,278)	(995)
Interest expense:			
Savings	11	(15)	(4)
NOW deposits	1	(3)	(2)
Money market deposits	12	(49)	(37)
Time deposits	(59)	(502)	(561)
Short-term borrowings	8	(55)	(47)
Long-term borrowings, FHLB	(44)	(103)	(147)
Junior subordinate debentures	-	1	1

Total interest-bearing liabilities	(71)	(726)	(797)
Change in net interest income	$ 354	$ (552)	$ (198)

PROVISION FOR LOAN LOSSES

2011 vs. 2010

The provision for loan losses is based upon management’s quarterly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, evaluate potential charge-offs and recoveries, and assess the general conditions in the markets served. Management remains committed to an aggressive and thorough program of problem loan identification and resolution. Annually, an independent loan review is performed for the Bank. The allowance for loan losses is evaluated quarterly and is calculated by applying historic loss factors to the various outstanding loans types while excluding loans for which a specific allowance has already been determined. Loss factors are based on management’s consideration of the nature of the portfolio segments, historical loan loss experience, industry standards and trends with respect to nonperforming loans, and its core knowledge and experience with specific loan segments.

Although management believes that it uses the best information available to make such determinations and that the allowance for loan losses is adequate at June 30, 2011, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making the initial determinations. A downturn in the local economy or employment and delays in receiving financial information from borrowers could result in increased levels of nonperforming assets and charge-offs, increased loan loss provisions and reductions in interest income. Also, as part of the examination process, bank regulatory agencies periodically review the Bank's loan loss allowance. The bank regulators could require the recognition of additions to the loan loss allowance based on their judgment of information available to them at the time of their examination.

The provision for loan losses amounted to $410,000 and $470,000 for the six months ended June 30, 2011 and 2010, respectively. Management concluded the 2011 and 2010 increases of the provision were appropriate considering the gross loan growth experience, the level of nonperforming assets and the general condition of the national economy. Utilizing the resources noted above, management concluded that the allowance for loan losses remains at a level adequate to provide for probable losses inherent in the loan portfolio.

NON-INTEREST INCOME

2011 vs. 2010

Total non-interest income increased $726,000 or 27.0 percent to $3.4 million for the six months ended June 30, 2011. The service charges and fees decreased $20,000 or 2.3 percent to $853 thousand for the six months ended June 30, 2011. Gain on sale of loans increased $63,000 or 20.7 percent from $304,000 in 2010 to $367,000 in 2011. Brokerage income decreased $34,000 or 21.0 percent from $162,000 in 2010 to $128,000 in 2011. Trust income increased $68,000 or 20.1 percent from $339,000 in 2010 to $407,000 in 2011. Interchange fees increased $51,000 or 12.5 percent from $408,000 in 2010 to $459,000 in 2011. Other non-interest income increased $114,000 or 29.8 percent from $382,000 in 2010. The increase primarily resulted from increased servicing fees on several participated commercial loans. The Corporation recorded a gain on the sale of premises and equipment associated with sale of the former Hazleton branch facility in the amount of $489,000 for the six months ended June 30, 2011.

(In Thousands)	For The Six Months Ended					
	June 30, 2011		June 30, 2010		Change	
	Amount	% Total	Amount	% Total	Amount	%
Service charges and fees	$853	25.1 %	$873	32.4 %	$(20)	(2.3) %
Gain on sale of loans	367	10.7	304	11.3	63	20.7
Earnings on bank-owned life insurance	215	6.3	223	8.3	(8)	(3.6)
Brokerage	128	3.7	162	6.0	(34)	(21.0)
Trust	407	11.9	339	12.6	68	20.1
Investment security gains	3	0.1	-	-	3	-
Gain on sale of premises and equipment	489	14.3	-	-	489	-
Interchange fees	459	13.4	408	15.2	51	12.5
Other	496	14.5	382	14.2	114	29.8
Total non-interest income	$3,417	100.0 %	$2,691	100.0 %	$726	27.0 %

NON-INTEREST EXPENSE

2011 vs. 2010

Total non-interest expense increased $246,000 thousand or 3.1 percent from $8.0 million in 2010. The net increase primarily resulted from higher employee benefits. Employee benefits increased $215,000 or 23.9 percent for the six months ended June 30, 2011 as a result of higher premiums.

One standard to measure non-interest expense is to express annualized non-interest expense as a percentage of average total assets. As of June 30, 2011 this percentage was 2.65 percent compared to 2.64 percent in 2010.

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(In Thousands)	For The Six Months Ended							
	June 30, 2011			June 30, 2010			Change	
	Amount	% Total		Amount	% Total		Amount	%
Salaries	$3,273	39.8	%	$3,164	39.5	%	$109	3.4 %
Employee benefits	1,113	13.5		898	11.3		215	23.9
Occupancy	559	6.8		569	7.1		(10)	(1.8)
Furniture and equipment	628	7.6		646	8.1		(18)	(2.8)
State shares tax	294	3.6		276	3.5		18	6.5
Professional fees	304	3.7		294	3.7		10	3.4
Directors fees	133	1.6		132	1.7		1	0.8
FDIC assessments	254	3.1		297	3.7		(43)	(14.5)
Telecommunications	162	2.0		177	2.2		(15)	(8.5)
Amortization of core deposit intangible	303	3.7		302	3.8		1	0.3
Automated teller machine and interchange	315	3.8		268	3.4		47	17.5
Other	889	10.8		958	12.0		(69)	(7.2)
Total non-interest expense	$8,227	100.0	%	$7,981	100.0	%	$246	3.1 %

FINANCIAL CONDITION

Consolidated assets at June 30, 2011 were $599.5 million which represented a decrease of $14.8 million from $614.3 million at December 31, 2010. The decrease resulted primarily from the disposition of the former Hazleton branch office and the related deposits.

Gross loans increased 1.6 percent from $340.5 million at December 31, 2010 to $346.0 million at June 30, 2011.

The loan-to-deposit ratio is a key measurement of liquidity. Our loan-to-deposit ratio increased during 2011 to 74.5 percent compared to 71.9 percent at December 31, 2010.

INVESTMENTS

All of our securities are available-for-sale and are carried at estimated fair value. Available-for-sale securities are reported on the consolidated balance sheet at fair value with offsetting adjustments to deferred taxes and accumulated other comprehensive income. The possibility of material price volatility in a changing interest rate environment is offset by the availability to the Corporation of restructuring the portfolio for gap positioning at any time through the securities classified as available-for-sale. As reflected in the Consolidated Statements of Changes in Stockholders' Equity, the impact of the fair value accounting was an unrealized gain, net of tax, on June 30, 2011 of $2,615,000 compared to an unrealized gain, net of tax, on December 31, 2010 of $2,221,000, which represents an unrealized gain, net of tax, of $394,000 for the six months ended June 30, 2011. The following table shows the amortized cost and estimated fair value of the investment securities as of the dates shown:

	June 30, 2011	
(In Thousands)	Amortized Cost	Estimated Fair Value
Obligation of U.S. Government Corporations and Agencies:		
Mortgage-backed	$ 111,745	$ 115,192
Other	58,037	58,328
	16,167	16,522

Obligations of state and political subdivisions				
Total debt securities		185,949		190,042
Marketable equity securities		2,133		2,002
Total investment securities AFS	$	188,082	$	192,044

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(In Thousands)	December 31, 2010 Amortized Cost	Estimated Fair Value
Obligation of U.S. Government Corporations and Agencies:		
Mortgage-backed	$ 129,008	$ 132,515
Other	59,046	58,903
Obligations of state and political subdivisions	13,625	13,671
Total debt securities	201,679	205,089
Marketable equity securities	2,130	2,084
Total investment securities AFS	$ 203,809	$ 207,173

LOANS

The loan portfolio increased 1.6 percent from $340.5 million at December 31, 2010 to $346.0 million at June 30, 2011. The percentage distribution in the loan portfolio was 79.5 percent in real estate loans at $275.0 million; 10.4 percent in commercial loans at $35.9 million; 2.0 percent in consumer loans at $7.2 million; and 8.1 percent in tax exempt loans at $28.0 million.

The following table presents the breakdown of loans by type as of the date indicated:

(In Thousands)	June 30, 2011	December 31, 2010	Change Amount	%
Commercial, financial and agricultural	$ 35,862	$ 33,819	$2,043	6.0 %
Tax-exempt	27,975	25,180	2,795	11.1
Real estate	259,676	262,355	(2,679)	(1.0)
Real estate construction	15,353	11,689	3,664	31.3
Installment loans to individuals	6,897	7,232	(335)	(4.6)
Add (deduct): Unearned discount	(3)	(6)	3	(50.0)
Unamortized loan costs, net of fees	199	184	15	8.2
Gross loans	$ 345,959	$ 340,453	$5,506	1.6 %

The following table presents the percentage distribution of loans by category as of the date indicated:

	June 30, 2011	December 31, 2010
Commercial, financial and agricultural	10.4 %	9.9 %
Tax-exempt	8.1	7.4
Real estate	75.1	77.2
Real estate construction	4.4	3.4
Installment loans to individuals	2.0	2.1
Gross loans	100.0 %	100.0 %

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses was $5.2 million at June 30, 2011, compared to $4.2 million at June 30, 2010. This allowance equaled 1.51 percent and 1.21 percent of total loans, net of unearned income, as of June 30, 2011 and 2010, respectively. The loan loss reserve is analyzed quarterly and reviewed by the Bank’s Board of Directors. No concentration or apparent deterioration in classes of loans or pledged collateral was evident. Regular meetings with the Bank’s Director Loan Committee reviewed new loans. Delinquent loans, loan exceptions and certain large loans are addressed by the full Board no less than monthly to determine compliance with policies. Allowance for loan losses was considered adequate based on delinquency trends and actual loans written.

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The following table presents a summary of the Bank's loan loss experience as of the dates indicated:

(In Thousands)	For the Six Months Ended June 30, 2011	2010
Average Loans Outstanding during the period	$ 344,243	$ 337,761
Balance, beginning of year	$ 4,801	$ 4,210
Provision charged to operations	410	470
Loans charged off:		
Commercial, financial, and agricultural	-	(4)
Real estate mortgages	(13)	(535)
Installment loans to individuals	(14)	(18)
Recoveries:		
Commercial, financial, and agricultural	-	32
Real estate mortgages	6	11
Installment loans to individuals	21	9
Balance, end of period	$ 5,211	$ 4,175
Ratio of net charge-offs to average loans outstanding during the period	0.00 %	0.15 %

NON-PERFORMING LOANS

As of June 30, 2011, loans 30 to 89 days past due totaled $1.8 million compared to $3.2 million at December 31, 2010. Non-accrual loans totaled $3.2 million at June 30, 2011 and $3.8 million at December 31, 2010.

The following table presents past due and non-accrual loans by loan type and in summary as of the dates indicated:

(In Thousands)	June 30, 2011	December 31, 2010
Commercial, financial and agricultural		
Days 30-89	$ 427	$ 244
Days 90 plus	-	-
Non-accrual	332	224
Real estate		
Days 30-89	872	2,880
Days 90 plus	-	-
Non-accrual	2,860	3,604
Installment loans to individuals		
Days 30-89	528	32
Days 90 plus	-	-
Non-accrual	-	-
	$ 5,019	$ 6,984

Days 30-89	$	1,827	$	3,156
Days 90 plus		-		-
Non-accrual		3,192		3,828
	$	5,019	$	6,984
Restructured loans still accruing	$	318	$	319
Other real estate owned	$	-	$	-

DEPOSITS

Total average deposits increased by 2.9 percent from $470.1 million at December 31, 2010 to $484.5 million at June 30, 2011. Average savings deposits increased 7.1 percent to $67.7 million at June 30, 2011 from $63.2 million at December 31, 2010. Average money market deposits increased 10.6 percent to $47.0 million as of June 30, 2011 from $42.5 million as of December 31, 2010. Average interest bearing NOW accounts increased 1.6 percent from $71.4 million at December 31, 2010 to $72.5 million at June 30, 2011.

The average balances and average rate paid on deposits are summarized as follows:

	June 30, 2011		December 31, 2010		Change	
(In Thousands)	Balance	Average Rate	Balance	Average Rate	Amount	%
Non-interest bearing	$67,920	- %	$59,013	- %	$8,907	15.1 %
Savings	67,703	0.35	63,223	0.37	4,480	7.1
Now deposits	72,545	0.13	71,374	0.14	1,171	1.6
Money market deposits	46,953	0.55	42,460	0.75	4,493	10.6
Time deposits	229,338	1.88	234,812	2.19	(5,474)	(2.3)
Total deposits	$484,459	1.01 %	$470,882	1.23 %	$13,577	2.9 %

BORROWED FUNDS

Average short-term borrowings, including securities sold under agreements to repurchase and day-to-day FHLB - Pittsburgh borrowings decreased 0.3 percent from $53.7 million at December 31, 2010 to $53.5 million at June 30, 2011. Average long-term borrowings decreased $2.2 million from $13.9 million at December 31, 2010 to $11.7 million at June 30, 2011.

The average balances are summarized as follows:

(In Thousands)	June 30, 2011		December 31, 2010		Change	
	Amount	% Total	Amount	% Total	Amount	%
Short-term borrowings:						
Securities sold under agreement to repurchase	$52,796	81.0 %	$52,315	77.4 %	$481	0.9 %
Short-term borrowings, FHLB	-	-	603	0.9	(603)	(100.0)
U.S. Treasury tax and loan notes	709	1.1	773	1.1	(64)	(8.3)
Total short-term borrowings	53,505	82.1 %	53,691	79.4 %	(186)	(0.3)
Long-term borrowings, FHLB	7,038	10.8	9,252	13.8	(2,214)	(23.9)
Junior subordinate debentures	4,640	7.2	4,640	6.9	-	-
Total borrowed funds	$65,183	100.0 %	$67,583	100.0 %	$(2,400)	(3.6) %

Short-term borrowings consisted of the following at June 30, 2011 and June 30, 2010:

	June 30, 2011			
(In Thousands)	Ending Balance	Weighted Average Balance	Maximum Month End Balance	Average Rate
Securities sold under agreements to repurchase	$50,696	$52,796	$56,844	0.60 %
Other short-term borrowings	-	-	-	0.00 %
U.S. Treasury tax and loan notes	433	709	1,000	0.00 %
Total	$51,129	$53,505	$57,844	0.60 %

	June 30, 2010			
(In Thousands)	Ending Balance	Weighted Average Balance	Maximum Month End Balance	Average Rate

Securities sold under agreements to repurchase	$48,791	$48,585	$50,832	0.83	%
Other short-term borrowings	-	1,559	4,075	0.73	%
U.S. Treasury tax and loan notes	253	573	1,000	0.00	%
Total	$49,044	$50,717	$55,907	0.82	%

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LIQUIDITY

Liquidity management is required to ensure that adequate funds will be available to meet anticipated and unanticipated deposit withdrawals, debt service payments, investment commitments, commercial and consumer loan demand, and ongoing operating expenses. Funding sources include principal repayments on loans, sale of assets, growth in time and core deposits, short and long-term borrowings, investment securities coming due, loan prepayments and repurchase agreements. Regular loan payments are a dependable source of funds, while the sale of investment securities, deposit growth and loan prepayments are significantly influenced by general economic conditions and the level of interest rates.

We manage liquidity on a daily basis. We believe that our liquidity is sufficient to meet present and future financial obligations and commitments on a timely basis. However, see potential liquidity risk factors at Item 1A – Risk Factors and refer to Consolidated Statements of Cash Flows in this Form 10-Q.

CAPITAL RESOURCES

Capital continues to be a strength for the Bank. Capital is critical as it must provide growth, payment to shareholders, and absorption of unforeseen losses. The federal regulators provide standards that must be met.

As of June 30, 2011, the Bank was categorized as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios.

Our actual consolidated capital amounts and ratios as of June 30, 2011 and December 31, 2010 are in the following table:

(In Thousands)	2011			2010		
	Amount	Ratio		Amount	Ratio	
Total Capital (to Risk-weighted Assets)						
Actual	$66,850	19.3	%	$64,476	18.5	%
For Capital Adequacy Purposes	27,776	8.0		27,884	8.0	
To Be Well-Capitalized	34,720	10.0		34,855	10.0	
Tier I Capital (to Risk-weighted Assets)	$62,527	18.0	%	$60,114	17.3	%
Actual						
For Capital Adequacy Purposes	13,888	4.0		13,942	4.0	
To Be Well-Capitalized	20,832	6.0		20,913	6.0	
Tier I Capital (to Average Assets)	$62,527	10.2	%	$60,114	10.0	%
Actual						
For Capital Adequacy Purposes	24,588	4.0		24,034	4.0	
To Be Well-Capitalized	30,736	5.0		30,043	5.0	

Our capital ratios are not materially different from those of the Bank.

INTEREST RATE RISK MANAGEMENT

Interest rate risk management involves managing the extent to which interest-sensitive assets and interest-sensitive liabilities are matched. Interest rate sensitivity is the relationship between market interest rates and earnings volatility due to the repricing characteristics of assets and liabilities. The Bank's net interest income is affected by changes in the level of market interest rates. In order to maintain consistent earnings performance, the Bank seeks to manage, to the extent possible, the repricing characteristics of its assets and liabilities.

One major objective of the Bank when managing the rate sensitivity of its assets and liabilities is to stabilize net interest income. The management of and authority to assume interest rate risk is the responsibility of the Bank's Asset/Liability Committee ("ALCO"), which is comprised of senior management and Board members. ALCO meets quarterly to monitor the ratio of interest sensitive assets to interest sensitive liabilities. The process to review interest rate risk management is a regular part of management of the Bank. Consistent policies and practices of measuring and reporting interest rate risk exposure, particularly regarding the treatment of noncontractual assets and liabilities, are in effect. In addition, there is an annual process to review the interest rate risk policy with the Board of Directors which includes limits on the impact to earnings from shifts in interest rates.

The ratio between assets and liabilities repricing in specific time intervals is referred to as an interest rate sensitivity gap. Interest rate sensitivity gaps can be managed to take advantage of the slope of the yield curve as well as forecasted changes in the level of interest rate changes.

To manage the interest sensitivity position, an asset/liability model called "gap analysis" is used to monitor the difference in the volume of the Bank's interest sensitive assets and liabilities that mature or reprice within given periods. A positive gap (asset sensitive) indicates that more assets reprice during a given period compared to liabilities, while a negative gap (liability sensitive) has the opposite effect. The Bank employs computerized net interest income simulation modeling to assist in quantifying interest rate risk exposure. This process measures and quantifies the impact on net interest income through varying interest rate changes and balance sheet compositions. The use of this model assists the ALCO to gauge the effects of the interest rate changes on interest sensitive assets and liabilities in order to determine what impact these rate changes will have upon our net interest spread.

At June 30, 2011, our cumulative gap positions and the potential earnings change resulting from a 300 basis point change in rates were both within the internal risk management guidelines.

In addition to gap analysis, the Bank uses earnings simulation to assist in measuring and controlling interest rate risk. The Bank also simulates the impact on net interest income of plus and minus 100, 200 and 300 basis point rate shocks. The results of these theoretical rate shocks provide an additional tool to help manage the Bank’s interest rate risk.

It is our opinion that the asset/liability mix and the interest rate risk associated with the balance sheet is within manageable parameters. Additionally, the Bank’s Asset/Liability Committee meets quarterly with an investment consultant.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of conducting business activities, the Corporation is exposed to market risk, principally interest rate risk, through the operations of its banking subsidiary. Interest rate risk arises from market driven fluctuations in interest rates that affect cash flows, income, expense and values of financial instruments and was discussed previously in this Form 10-Q.

No material changes in market risk occurred during the current period. A detailed discussion of market risk is provided in the Annual Report on Form 10-K for the period ended December 31, 2010.

Item 4. Controls and Procedures

Our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that our disclosure controls and procedures (as defined in Rules 13a – 15(e) and 15d – 15(e) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of the end of the period covered by this Report, were effective as of such date at the reasonable assurance level as discussed below to ensure that information required to be disclosed by us in the reports we file under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including the CEO and CFO, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls.

The CEO and CFO have evaluated the changes to our internal controls over financial reporting that occurred during our fiscal Quarter Ended June 30, 2011, as required by paragraph (d) Rules 13a – 15 and 15d – 15 under the Securities Exchange Act of 1934, as amended, and have concluded that there were no changes that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II Other Information

Item 1. Legal Proceedings

Management and the Corporation's legal counsel are not aware of any litigation that would have a material adverse effect on the consolidated financial position of the Corporation. There are no proceedings pending other than the ordinary routine litigation incident to the business of the Corporation and its subsidiary, First Columbia Bank & Trust Co. In addition, no material proceedings are pending or are known to be threatened or contemplated against the Corporation and the Bank by government authorities.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1.A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect our business, financial condition or future results. At June 30, 2011 the risk factors of the Corporation have not changed materially from those in our Annual Report on Form 10-K, except as set forth below. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

The Dodd-Frank Wall Street Reform and Consumer Protection Act may affect our financial condition, results of operations, liquidity and stock price.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was signed into law. The Dodd-Frank Act includes provisions affecting large and small financial institutions, including several provisions that will profoundly affect how community banks and bank holding companies will be regulated in the future. Among other things, these provisions relax rules regarding interstate branching, allow financial institutions to pay interest on business checking accounts, change the scope of federal deposit insurance coverage, and impose new capital requirements on bank holding companies. In addition, there is significant uncertainty about the full impact of the Dodd-Frank Act because many of its provisions require subsequent regulatory rule making.

The Dodd-Frank Act establishes the Bureau of Consumer Financial Protection as an independent entity within the Federal Reserve, which will be given authority to promulgate consumer protection regulations applicable to all entities offering financial services or products, including banks. Additionally, the Dodd-Frank Act includes a series of provisions covering mortgage loan origination standards affecting, among other things, originator compensation, minimum repayment standards, and pre-payments.

The Dodd-Frank Act contains numerous other provisions affecting financial institutions of all types, many of which may have an impact on the company's operating environment in substantial and unpredictable ways. Consequently, the Dodd-Frank Act is likely to affect our cost of doing business, it may limit or expand the activities in which the Company permissibly may engage, and it may affect the competitive balance within the company's industry and market areas.

The Dodd-Frank Act and the regulations to be adopted thereunder are expected to subject the company and other financial institutions to additional restrictions, oversight and costs that may have an adverse impact on its business, financial condition, results of operations or the price of the Company's common stock and the Company's ability to continue to conduct business consistent with historical practices.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Units) Purchased	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Month #1 (April 1 - April 30, 2011)	-	-	-	139,000
Month #2 (May 1 - May 31, 2011)	4,000	36.05	4,000	135,000
Month #3 (June 1 - June 30, 2011)	-	-	-	135,000

(1) This program was announced in 2009 and represents the third buy-back program. The Board of Directors approved the purchase of 200,000 shares. There was no expiration date associated with this program.

The Corporation did not sell any unregistered securities during the quarter ended June 30, 2011.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

3.1.1 Amended and Restated Articles of Incorporation-incorporated by reference to Registrant's Current Report on Form 10-K, dated May 9, 2005, filed with the Commission on May 10, 2005.

3.2 Amended Bylaws-incorporated by reference to Registrant's Annual Report on Form 10-K, filed with the commission on March 26, 2010.

31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32	Section 906 Certification of Principal Executive Officer and Principal Financial Officer

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly report on Form 10-Q for the period ended June 30, 2011, to be signed on its behalf by the undersigned thereunto duly authorized.

CCFNB BANCORP, INC.
(Registrant)

By:	/s/ Lance O. Diehl President and CEO (Principal Executive Officer)
Date:	August 5, 2011

By:	/s/ Jeffrey T. Arnold Jeffrey T. Arnold, CPA, CIA Chief Financial Officer and Treasurer (Principal Financial Officer)
Date:	August 5, 2011

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