



2016 ANNUAL REVIEW

*“Many go fishing all their lives without knowing that it is not fish they are after.”*

—Henry David Thoreau



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## Shareholder Information

### Annual Meeting

The 2017 Annual Meeting of Shareholders for ACNB Corporation will be held on Tuesday, May 2, at 1:00 p.m. at the ACNB Corporation Operations Center, 100 V-Twin Drive, Gettysburg, PA. All proxy and other materials for the Annual Meeting are available at [acnb.com/acnb-corporation](http://acnb.com/acnb-corporation).

### Stock Listing

ACNB Corporation common stock is listed and traded on The NASDAQ Capital Market under the symbol ACNB.

### Annual Report on Form 10-K

A copy of ACNB Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained, without charge, by contacting:

Lynda L. Glass  
Executive Vice President/  
Secretary & Chief Governance Officer  
ACNB Corporation  
P.O. Box 3129  
Gettysburg, PA 17325  
717.339.5085

The Annual Report and other Corporation reports are also filed electronically with the Securities and Exchange Commission and are accessible by the public on the Internet at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml).

### Transfer Agent, Registrar and Dividend Disbursing Agent

Computershare Shareholder Services  
P.O. Box 30170  
College Station, TX 77842-3170  
[www.computershare.com/investor](http://www.computershare.com/investor)

For shareholder inquiries or information regarding the ACNB Corporation Dividend Reinvestment and Stock Purchase Plan, call Computershare toll free at 1.800.368.5948.

### Market Makers

Boenning & Scattergood, Inc.  
West Conshohocken, PA  
610.832.1212/1.800.883.1212

Janney Montgomery Scott, LLC  
York, PA  
717.779.2720/1.800.999.0503

### Local Broker

Wells Fargo Advisors, LLC  
Hanover, PA  
717.637.3817/1.800.242.1331

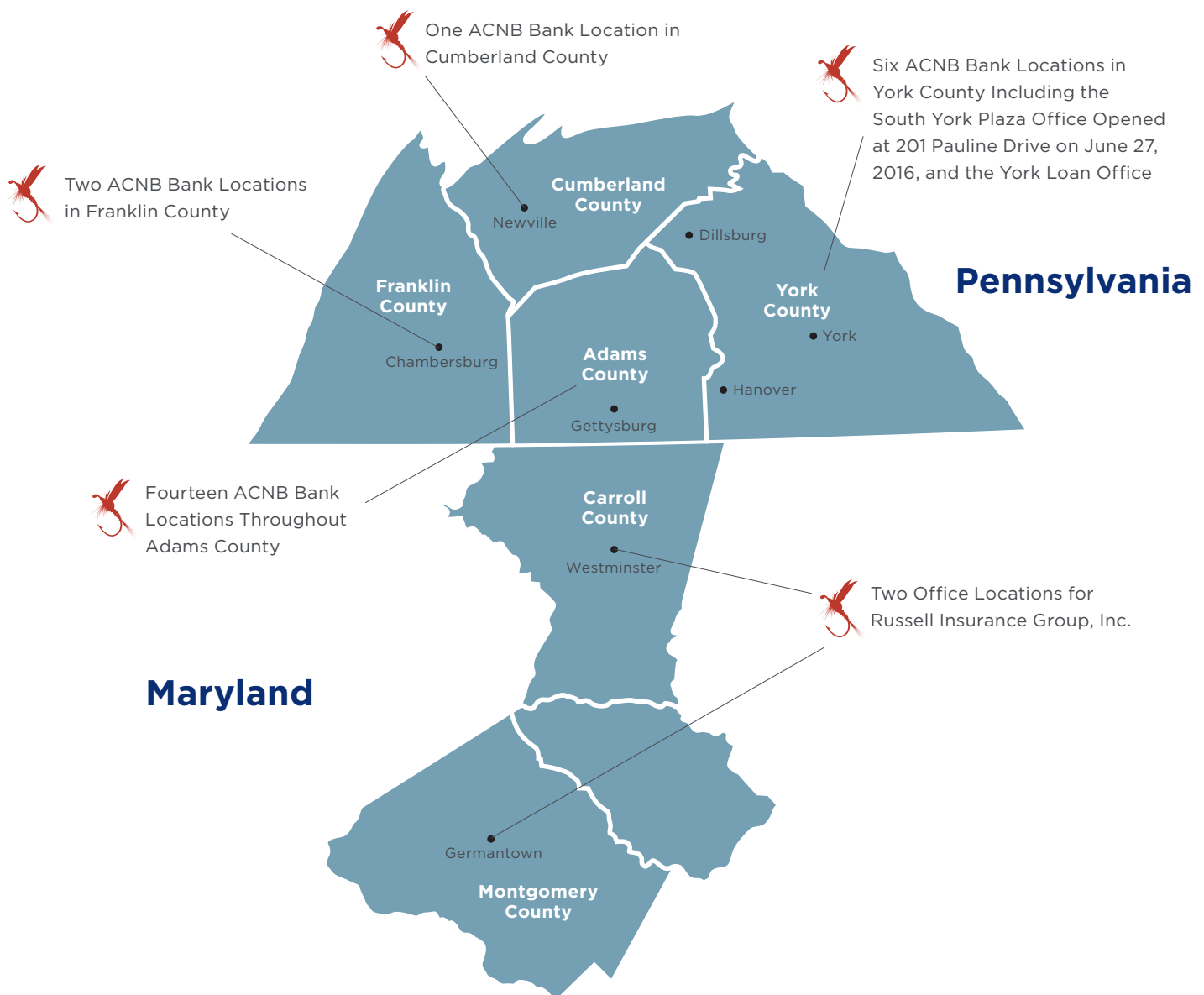
# Business Profile & Geography

**ACNB Corporation, headquartered in Gettysburg, PA, is the financial holding company for the wholly-owned subsidiaries of ACNB Bank, Gettysburg, PA, and Russell Insurance Group, Inc., Westminster, MD.**

Through its banking subsidiary of ACNB Bank, ACNB Corporation provides a wide array of consumer, commercial and fiduciary services to fulfill the financial needs of individuals, businesses, public entities, and community organizations in its trading area. Originally founded in 1857, ACNB Bank serves its marketplace via a network of 22 retail banking offices located in the four southcentral Pennsylvania counties of Adams, Cumberland, Franklin and York.

In addition, the Bank operates a loan office in York, York County, PA.

Russell Insurance Group, Inc., the insurance subsidiary of ACNB Corporation, offers a broad range of commercial and personal insurance lines through licenses in 43 states. This full-service insurance agency has office locations in Westminster, Carroll County, MD, and Germantown, Montgomery County, MD.





# The Lure of Retirement



**After more than 30 years of experience in the financial services industry, including 16 years at the helm of ACNB Corporation and ACNB Bank, Thomas A. Ritter is retiring as an executive officer effective May 5, 2017. Given his love of fly fishing and the southcentral Pennsylvania landscape, his retirement days will surely include standing in a stream of water with waders and his fishing rod in hand.**

A Gettysburg, Adams County, native, Mr. Ritter currently serves as President & Chief Executive Officer of ACNB Corporation and Chief Executive Officer of ACNB Bank. He is a member of both the Corporation's and the Bank's Boards of Directors, as well as is a member and Chairman of the Board of Directors of Russell Insurance Group, Inc. — positions that he will continue to hold after retirement as an executive officer.

As President & Chief Executive Officer of ACNB Corporation, Mr. Ritter provided valuable insight and guidance in addressing the Corporation's challenges and strategic goals during years of growth and years of economic and industry adversity. Throughout all, ACNB Corporation retained its focus, its profitability, and its commitment to employees, customers, shareholders, and the communities served.

Mr. Ritter purposed to ensure the ongoing vitality and strength of the organization and its independence. There was determination and resolve, especially during the recessionary years, in the Corporation's focus on the priorities of earnings, capital, dividends, liquidity, as well as organizational safety and soundness.

During the first seven years of his leadership in the new century, then Adams County National Bank's retail banking office network grew with the addition of six new locations. In 2001, there was the acquisition of two offices — West Gettysburg and Fairfield — from Farmers & Mechanics Bank of Maryland. In 2002, the Bank expanded its geographic coverage by opening the Dillsburg Office in northern York County. In 2005, the New Oxford Office and the Adams Commerce Center Office in Gettysburg were established. Then, in 2006, the South Hanover Office opened as the second location to serve the growing Hanover market.

ACNB Corporation also sought ways to expand the financial services offered to customers. Thus, in 2005, the Corporation acquired Russell Insurance Group, Inc., an insurance agency based in Westminster, Maryland. Another significant development in 2005 was the completion of the ACNB Corporation Operations Center at 100 V-Twin Drive, Gettysburg.

The Chambersburg Loan Office was the Bank's first entry into the Franklin County market in 2007. In early 2009, the Hanover Loan Office was opened to further penetrate this significant market in the Bank's trading area.

The most notable milestone for the Bank in 2010 was the conversion of Adams County National Bank from a national banking association to a Pennsylvania state-chartered bank and trust company — resulting in ACNB Corporation's banking subsidiary now being ACNB Bank. The Bank's charter conversion, effective October 4, 2010, was a deliberate and strategic decision as the Bank planned for continued expansion beyond the borders of Adams County. Additionally, in December 2010, ACNB Corporation common stock was listed and began trading on The NASDAQ Capital Market, providing greater shareholder liquidity and value.

From 2011 through 2016, ACNB Bank continued to grow its assets and its footprint with the establishment of the York Loan Office in York County, as well as the opening of new retail banking offices including the Spring Grove Office and South York Plaza Office in York County and the Chambersburg Office and Chambersburg Drive-Up in Franklin County.

Always cognizant of our history and our roots, one of Mr. Ritter's proudest accomplishments was the celebration of the Bank's 150th Anniversary in 2007. He truly embraced this celebration of independence

for the community banking organization envisioned in the principles and hopes of the Bank's founders.

Each of these historic milestones required Mr. Ritter's ability to see beyond the murky waters with clarity for the future; however, the success is in the numbers attributable to his tenure with our organization. Today, ACNB Corporation is a \$1.2 billion financial holding company, which is more than double the asset size it was when Mr. Ritter took the lead at the beginning of 2001. Similarly, total loans were \$908 million and total deposits were \$968 million at December 31, 2016. Capital is fortified, and earnings are strong.

In fly fishing, the fundamentals of continual skill development, patience, and a knowledge and understanding of the environment all contribute to success when casting for trout in the stream. The financial services industry, likewise, requires these same attributes — especially recognizing that the number of community banks has decreased dramatically and the competition is keen. Mr. Ritter, with his power of observation and experience, has navigated both rough waters and calm waters to protect and ensure the independence of ACNB Corporation.



Tom and Woody at Birch Run Reservoir, January 2011

## Farewell Message

*Please accept my sincere thanks and gratitude for the privilege of serving ACNB Corporation, and as the 12th Bank President since 2001. On April 11 of 2017, our Bank will observe its 160th Anniversary as a community bank. In recognition to all of those who have preceded me in executive management, your enduring commitment to the values of Stewardship has enabled us to celebrate this wonderful anniversary. Collectively, we have chosen to make institutional Safety and Soundness our guiding principle, and all growth and profitability have been achieved by honoring this compelling virtue.*

*With my retirement as an executive officer near at hand, let me now acknowledge the true sentinels of our Company — our senior management, our officers and employees, and our Board of Directors. The financial condition of our Company is in very good standing. Great leadership is firmly in place to guide our Company for many years to come. And, this broad leadership will continue to serve the diverse interests of our customers and our shareholders into the future.*

*As for me, now it is time to rediscover pleasing memories from the stream banks of the mighty Conewago and the Yellow Breeches. There are always new places to fish and new peaks to climb in the very bucolic countryside of southcentral Pennsylvania. Woody and I plan to scale the Pole Steeple at Pine Grove Furnace again, while we are both still willing and still able. The ascent to the Steeple Overlook is nearly 1.3 miles with an elevation of 1,250 feet, but it is a steep climb and it is tough enough for us. We have gained wisdom over the years, and we know our limitations.*

*For my distinguished colleagues who will be looking after ACNB Corporation following my retirement, I would simply encourage you to never lose your sense of curiosity, nor your will to explore. Remember...not all who wander are lost! Find your own remote fishing spots, and discover a few quiet places to walk or hike. And, when you do embrace the beauty and serenity of our natural world, you will surely find yourselves energized to accomplish great things in many aspects of life. Farewell, and we will be looking for you near the summit of the Pole Steeple!*

*Thomas A. Ritter*

**Thomas A. Ritter**

*President & Chief Executive Officer*

# Report to Shareholders

**2016 was a rewarding year for ACNB Corporation. Strategically, the Corporation expanded its market presence in terms of both geography and business lines, executive management succession and leadership were crystallized for the future, and a definitive agreement was signed with New Windsor Bancorp, Inc. for entry into the Maryland market.**

## 2016 Financial Performance

ACNB Corporation ended the year of 2016 with net income of \$10,869,000, or \$1.80 per share. This is a slight decrease of \$148,000, or 1%, from earnings of \$11,017,000 for the year ended December 31, 2015. However, there were merger-related expenses of \$472,000 incurred in 2016 for the proposed acquisition of New Windsor Bancorp, Inc. of Taneytown, Maryland.

As always, ACNB Corporation's net interest income is the driver of earnings. Essentially, this primary source of revenue is the difference between the interest income earned on loans and investments, and the interest expense paid on deposits and borrowings. Net interest income is impacted by changes in interest rates, the volume of interest earning assets and interest bearing liabilities, and the composition of these assets and liabilities. Further, this income source is predominantly influenced by market interest rates, local economic conditions, stock market fluctuations, and competitive market dynamics.

In 2016, net interest income increased by 3% to a record \$36,566,000, as a result of continued growth in loan volume. This achievement was in spite of the ongoing pressure on the net interest margin — a fundamental measure of changes in net interest income. Due to the prolonged low interest rate environment, the net interest margin tightened to 3.35% for the year ended December 31, 2016, from 3.45% for the year ended December 31, 2015.

With the expectation of rising interest rates, ACNB Corporation has been judicious in its approach to loan and deposit growth. Total loans increased by 6% — surpassing the marker of \$900 million to finish the year at \$908 million as of December 31, 2016. Total deposits also increased by 6% from the previous year-end to \$968 million at December 31, 2016. In all, total assets of ACNB Corporation at December 31, 2016, were \$1.21 billion, up 5% from \$1.15 billion at December 31, 2015.

## Shareholder Dividends & Equity

A key area of strength and differentiation for ACNB Corporation is its longstanding commitment to its shareholders. In 2016, the Corporation paid an aggregate of \$4,840,000, or \$0.80 per share, in cash dividends to shareholders. This compares to \$4,820,000, or \$0.80 per share, paid in 2015. The dividend payout ratio was 45% and 44% for 2016 and 2015, respectively. Unlike many of our competitors in the financial services industry, the Corporation paid a stable quarterly cash dividend throughout the financial crisis and industry turmoil in past years. This was a substantial commitment of financial resources, but also a testament to ACNB Corporation's continued soundness and determination in providing shareholders value on their investment during these years. At December 31, 2016, total stockholders' equity remained strong at \$120 million, rising by 5% from the end of 2015. Ongoing capital growth is fundamentally dependent upon sustained and strong earnings over time.

The ACNB Corporation Dividend Reinvestment and Stock Purchase Plan provides registered shareholders the opportunity to purchase additional shares of the Corporation's common stock through the automatic reinvestment of cash dividends and voluntary cash purchases on a quarterly basis. The benefit to the registered shareholders who elect to participate in the plan includes the convenience of the acquisition of additional shares of ACNB Corporation common stock, as well as the ability to do so without paying service fees or brokerage commissions. Since the plan's introduction in January 2011, 122,687 new shares of ACNB Corporation common stock — totaling approximately \$2,400,000 in plan investments — have been issued as of December 31, 2016, to plan participants as a result of both dividend reinvestment and voluntary cash purchases, which continue to fortify the Corporation's equity position.

## ACNB Bank

ACNB Corporation's banking subsidiary, ACNB Bank, is the dominant business segment for both revenue and profit. This subsidiary's history and strength are founded upon the community banking model of reinvesting depositors' dollars in loans to others for the economic benefit of the shared community. On April 11, 2017, ACNB Bank will mark 160 years in furthering its mission to serve customers by building relationships. The banking services provided have changed over these many years, but the goal of satisfying the financial needs of customers has been a steadfast constant.

ACNB Bank's geographic footprint includes locations in the four southcentral Pennsylvania counties of Adams, Cumberland, Franklin and York. Today, there are 22 retail banking offices and a loan production office for the transaction of business with ACNB Bank customers. On June 27, 2016, the retail banking network was expanded in York County with the opening of the South York Plaza Office at 201 Pauline Drive. Also in 2016, the Bank relocated its South Hanover Office from 865 Baltimore Street to 1801 Baltimore Pike in order to provide a more convenient banking experience for Hanover area residents and businesses, as well as opened the doors at the newly-renovated Lincoln Square Office in Gettysburg at the Bank's original historic site of founding in 1857.

Competition for loans and deposits in the Bank's marketplace is intense. This competition encompasses local banks and credit unions, nonbank entities, and Internet-based providers of financial services. In Fourth Quarter 2016, ACNB Bank established a new business line focusing on agribusiness lending to accommodate the unique banking needs of the many agricultural businesses found in the Bank's local communities. The growth of ACNB Bank's loan and deposit portfolios is key to the continued success of the organization; thus, there was significant management emphasis placed on new business development initiatives in 2016.

Given the improving local economic conditions, asset quality measures trended positively in 2016. The ratio of non-performing loans to total loans was 0.64% and 0.68%, respectively, for 2016 and 2015. Net charge-offs to average loans outstanding was 0.06% for the year ended December 31, 2016. The allowance for loan losses was strong at more than \$14,000,000 on December 31, 2016. ACNB Bank's ratio of the allowance for loan losses

to total loans was favorable in comparison to peers at 1.56% for the year ended December 31, 2016. Moreover, the coverage ratio of the allowance for loan losses to non-performing loans was robust at 243% as of the same date.

Today's banking and regulatory environments, including the requirements related to the Basel III standards and the Dodd-Frank Wall Street Reform and Consumer Protection Act, necessitate an emphasis on capital as the fundamental element for organizational strength and sustainability. The Bank's total risk-based capital ratio was 14.22% at December 31, 2016, which exceeds the regulatory requirement of 10.00% to be considered a well-capitalized financial institution by regulators. Improvement in the capital position of the Bank is predominantly a function of retained earnings, which is the amount of net income after the payment of dividends to the Corporation for issuance to ACNB Corporation shareholders.

## Trust & Investment Services

ACNB Bank's Trust & Investment Services staff provides fiduciary, estate, investment and related services to clients. Assets under administration rose by 10% to approximately \$195 million as of December 31, 2016. Revenue for 2016 from Trust & Investment Services was \$1,684,000, up 6% from \$1,589,000 for the year of 2015.

On June 24, 2016, Trust & Investment Services completed its relocation to the Bank's North Gettysburg Office. This move from Lincoln Square in Gettysburg benefited clients due to more parking availability and more convenient access to Trust & Investment Services offices and staff in the Gettysburg market.

## Russell Insurance Group, Inc.

Russell Insurance Group, Inc., the insurance subsidiary of ACNB Corporation, is a full-service insurance agency offering a broad range of property, casualty, life and health insurance to both commercial and individual clients through licenses in 43 states, with a major focus in Maryland and Pennsylvania. The agency is based in Westminster, Maryland, and also conducts business at a second office location in Germantown, Maryland.



Income from this subsidiary's commissions on insurance sales is the most significant source of other income for ACNB Corporation. 2016 income for Russell Insurance Group was \$4,822,000 — up 4% in comparison to 2015, primarily due to higher contingent commissions and increased personal lines commission income.

## **New Windsor Bancorp, Inc. Acquisition**

On November 21, 2016, ACNB Corporation and ACNB Bank executed the Agreement and Plan of Reorganization whereby New Windsor Bancorp, Inc. and New Windsor State Bank will be acquired and merged into ACNB Corporation and ACNB Bank, respectively. Headquartered in Taneytown, Maryland, New Windsor Bancorp, Inc. upon the announcement of the transaction reported total assets of \$311 million, total deposits of \$273 million, and total loans of \$262 million as of September 30, 2016. Pro forma highlights as of this same date indicate the combined company will have total assets of \$1.52 billion, total deposits of \$1.24 billion, and total loans of \$1.13 billion.

This transaction is one of strategic market expansion for ACNB Corporation predicated upon future growth in the desirable northern Maryland market adjacent to the organization's current footprint. Once the merger is complete, ACNB Bank will have 29 retail community banking offices — 22 in Pennsylvania and seven in Maryland operating as NWSB Bank, a division of ACNB Bank.

The aggregate value of the transaction with New Windsor Bancorp, Inc. is approximately \$33.3 million. The transaction is subject to regulatory approvals and the affirmative vote of New Windsor Bancorp, Inc. shareholders. It is anticipated that this acquisition transaction will close early in Third Quarter 2017.

## **Executive Management Succession**

As we enter 2017, the executive management leadership of the organization continues to evolve. On January 26, 2017, ACNB Corporation announced the retirement of Thomas A. Ritter from the current positions of President & Chief Executive Officer of ACNB Corporation and Chief Executive Officer of ACNB Bank as of May 5, 2017. Under his leadership, the Corporation grew from \$567 million in assets to \$1.21

billion in assets as of December 31, 2016. Following retirement as an executive officer of the Corporation and the Bank, Mr. Ritter will continue to serve as a Director of ACNB Corporation, ACNB Bank and Russell Insurance Group, Inc.

Mr. Ritter was appointed President of ACNB Corporation and President & Chief Executive Officer of ACNB Bank on January 1, 2001. Effective December 31, 2003, he was also designated as ACNB Corporation's Chief Executive Officer. Mr. Ritter was the President to serve the fourth longest in the history of ACNB Bank upon his relinquishment of this position on September 1, 2015, with the appointment of his successor, James P. Helt, as part of ACNB Corporation's and ACNB Bank's long-term strategic succession planning process.

Concurrent with the retirement announcement, the ACNB Corporation and ACNB Bank Boards of Directors named Mr. Helt to be Mr. Ritter's successor as President & Chief Executive Officer of ACNB Corporation and Chief Executive Officer of ACNB Bank as of May 5, 2017. Mr. Helt has been with the organization since 2008, when he was named Executive Vice President of Banking Services of ACNB Bank. On September 1, 2015, he was appointed to his current position of President of ACNB Bank, and was also elected to ACNB Bank's Board of Directors. Mr. Helt is a nominee for election to the Board of Directors of ACNB Corporation at the 2017 Annual Meeting of Shareholders.

## **The Boards of Directors**

On February 28, 2017, the Boards of Directors of ACNB Corporation and ACNB Bank accepted the resignation of Director Robert W. Miller effective May 2, 2017. Mr. Miller joined both Boards of Directors in 2007, and also served as one of the Corporation's financial experts on the Board Audit Committee. His resignation is in pursuit of furthering plans for his retirement years after his long career and leadership role with Miller, Brown, Ohm & Associates, P.C., a certified public accounting firm in McSherrystown, Pennsylvania. Mr. Miller's dedication over the last ten years to ACNB Corporation and its mission is sincerely appreciated and valued.

In addition, following the close of the New Windsor Bancorp, Inc. acquisition, two directors from this organization will join the Boards of Directors of ACNB Corporation and ACNB Bank to provide insight and guidance related to the new Maryland market.



## In Closing

ACNB Corporation and ACNB Bank are indeed embracing change — from its executive management team to new lines of business and places of business. Change is both invigorating and demanding. However, change also requires the support of two critical groups with a stake in the outcome.

The first key group includes the Boards of Directors. The men and women serving in this capacity for ACNB Corporation and its subsidiaries continue to be a source of energy and encouragement for which we are always grateful.

The second instrumental group includes all of the dedicated and hardworking staff members of ACNB Corporation's subsidiaries. The Boards of Directors and executive management set the strategic direction, but it is truly these individuals who achieve the results. We thank each member of the staff for their commitment day in and day out.

We also recognize your valuable input, as shareholders, to the success of ACNB Corporation. Over time, our progress as an independent provider of financial services is dependent upon your trust and ongoing investment for the future.

Sincerely,



**Frank Elsner, III**

*Chairman of the Board*



**Thomas A. Ritter**

*President & Chief Executive Officer*



**Lynda L. Glass**

*Executive Vice President/  
Secretary & Chief Governance Officer*



**David W. Cathell**

*Executive Vice President/  
Treasurer & Chief Financial Officer*



### **ACNB Corporation Officers**

*David W. Cathell, Executive Vice President/Treasurer & Chief Financial Officer; Lynda L. Glass, Executive Vice President/Secretary & Chief Governance Officer; Frank Elsner, III, Chairman of the Board; Thomas A. Ritter, President & Chief Executive Officer.*

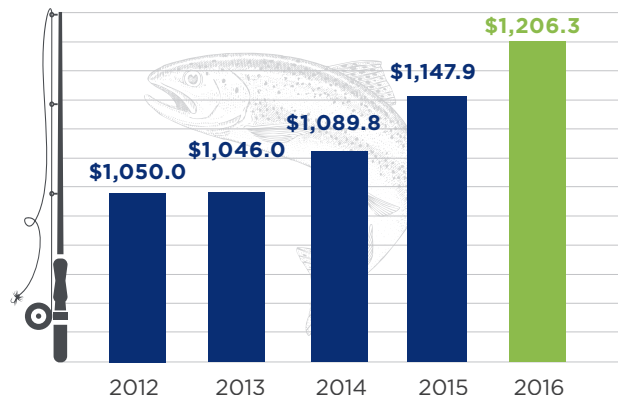
## Three-Year Financial Highlights

For the Year	2016	2015	2014
Net interest income	\$36,566,000	\$35,606,000	\$33,880,000
Net income	10,869,000	11,017,000	10,290,000
Cash dividends paid	4,840,000	4,820,000	4,622,000
<b>Per Share Statistics</b>			
Basic earnings	\$ 1.80	\$ 1.83	\$ 1.71
Cash dividends paid	0.80	0.80	0.77
Book value (year-end)	19.80	18.99	18.29
<b>At Year-End</b>			
Total assets	\$1,206,320,000	\$1,147,925,000	\$1,089,808,000
Total loans	907,910,000	852,960,000	799,272,000
Total deposits	967,621,000	912,980,000	844,876,000
Total stockholders' equity	120,061,000	114,715,000	110,022,000
<b>Key Ratios</b>			
Return on average assets	0.93%	0.99%	0.97%
Return on average equity	9.17%	9.77%	9.32%
Dividend payout	44.53%	43.75%	44.92%
Average stockholders' equity to average assets	10.10%	10.10%	10.43%

# Five-Year Financial Overview

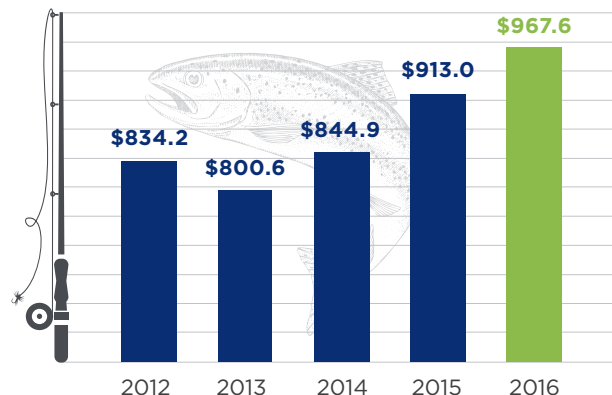
## TOTAL ASSETS

In millions of dollars



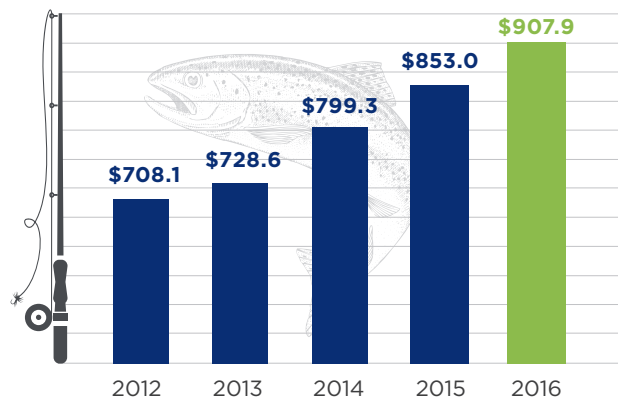
## TOTAL DEPOSITS

In millions of dollars



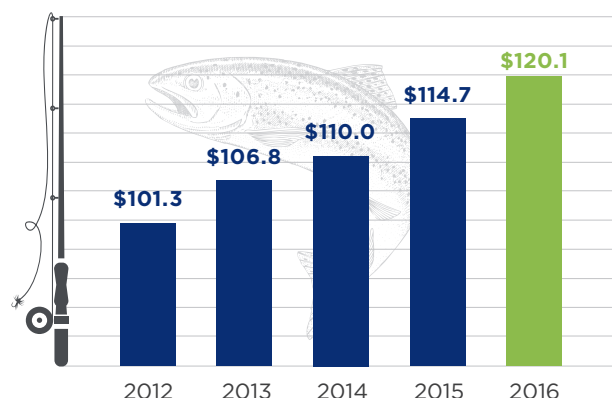
## TOTAL LOANS

In millions of dollars



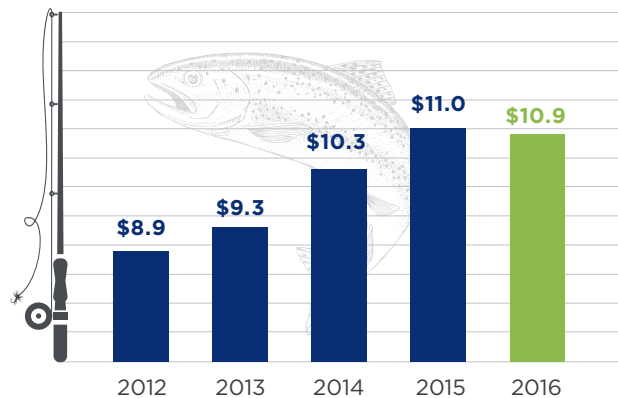
## TOTAL STOCKHOLDERS' EQUITY

In millions of dollars



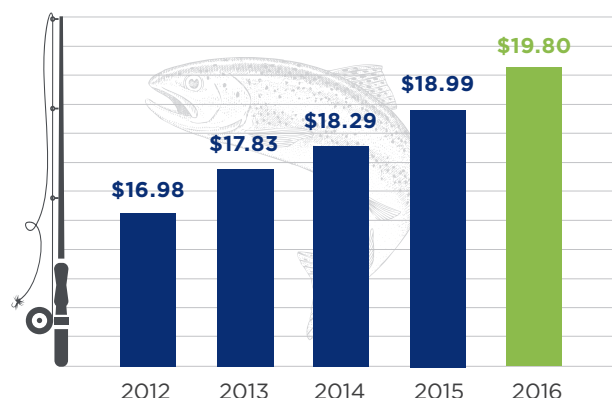
## NET INCOME

In millions of dollars



## BOOK VALUE PER SHARE

In dollars



# Consolidated Statements of Condition

Dollars in thousands, except per share data

	<b>December 31</b>	
<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and due from banks	\$ 13,796	\$ 13,468
Interest bearing deposits with banks	5,135	5,289
Total Cash and Cash Equivalents	18,931	18,757
Securities available for sale	142,990	125,693
Securities held to maturity (fair value \$55,425 in 2016 and \$71,363 in 2015)	55,568	71,542
Loans held for sale	1,770	1,835
Loans, net of allowance for loan losses (\$14,194 in 2016 and \$14,747 in 2015)	893,716	838,213
Premises and equipment	18,153	18,044
Restricted investment in bank stocks	4,349	4,414
Investment in bank-owned life insurance	40,742	39,642
Investments in low-income housing partnerships	2,899	3,345
Goodwill	6,308	6,308
Intangible assets	688	1,033
Foreclosed assets held for resale	256	580
Other assets	19,950	18,519
<b>TOTAL ASSETS</b>	<b>\$1,206,320</b>	<b>\$1,147,925</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 180,593	\$ 166,224
Interest bearing	787,028	746,756
Total Deposits	967,621	912,980
Short-term borrowings	34,590	35,202
Long-term borrowings	74,250	76,500
Other liabilities	9,798	8,528
<b>TOTAL LIABILITIES</b>	<b>1,086,259</b>	<b>1,033,210</b>
<b>Stockholders' Equity</b>		
Preferred stock (par value \$2.50; 20,000,000 shares authorized; no shares outstanding)	—	—
Common stock (par value \$2.50; 20,000,000 shares authorized; 6,126,738 and 6,102,324 shares issued in 2016 and 2015, respectively; 6,064,138 and 6,039,724 shares outstanding in 2016 and 2015, respectively)	15,317	15,256
Treasury stock, at cost (62,600 shares in 2016 and 2015)	(728)	(728)
Additional paid-in capital	10,941	10,387
Retained earnings	100,555	94,526
Accumulated other comprehensive loss	(6,024)	(4,726)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>120,061</b>	<b>114,715</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$1,206,320</b>	<b>\$1,147,925</b>

See the consolidated financial statements and accompanying notes presented in the Corporation's Annual Report on Form 10-K.



# Consolidated Statements of Income

Dollars in thousands, except per share data

Years Ended December 31

	2016	2015	2014
<b>Interest Income</b>			
Loans, including fees	\$36,339	\$35,090	\$32,573
Securities			
Taxable	3,179	3,127	3,647
Tax-exempt	651	859	1,042
Dividends	212	301	194
Other	119	87	70
TOTAL INTEREST INCOME	40,500	39,464	37,526
<b>Interest Expense</b>			
Deposits	2,369	2,120	1,810
Short-term borrowings	51	47	63
Long-term borrowings	1,514	1,691	1,773
TOTAL INTEREST EXPENSE	3,934	3,858	3,646
NET INTEREST INCOME	36,566	35,606	33,880
PROVISION FOR LOAN LOSSES	—	—	150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	36,566	35,606	33,730
<b>Other Income</b>			
Service charges on deposit accounts	2,369	2,308	2,118
Income from fiduciary activities	1,684	1,589	1,418
Earnings on investment in bank-owned life insurance	1,100	1,100	1,099
Gains on sales or calls of securities	26	261	62
Gain on sales of premises and equipment	449	—	—
Service charges on ATM and debit card transactions	1,499	1,456	1,550
Commissions from insurance sales	4,822	4,634	4,839
Other	1,259	1,058	818
TOTAL OTHER INCOME	13,208	12,406	11,904
<b>Other Expenses</b>			
Salaries and employee benefits	22,200	20,932	19,516
Net occupancy	2,066	2,170	2,050
Equipment	3,046	3,007	2,768
Other tax	785	779	737
Professional services	852	844	936
Supplies and postage	646	639	602
Marketing and corporate relations	574	452	587
FDIC and regulatory	611	665	748
Proposed merger expenses	472	—	—
Intangible assets amortization	345	336	649
Foreclosed real estate expenses	55	119	346
Other operating	3,485	3,291	3,325
TOTAL OTHER EXPENSES	35,137	33,234	32,264
INCOME BEFORE INCOME TAXES	14,637	14,778	13,370
PROVISION FOR INCOME TAXES	3,768	3,761	3,080
NET INCOME	\$10,869	\$11,017	\$10,290
<b>Per Share Data</b>			
Basic earnings	\$ 1.80	\$ 1.83	\$ 1.71
Cash dividends paid	\$ 0.80	\$ 0.80	\$ 0.77







# Boards of Directors

## ACNB Corporation and ACNB Bank Boards of Directors

**Richard L. Alloway II**  
*Pennsylvania State Senator  
 33rd State Senate District*

**James J. Lott**  
*President  
 Bonnie Brae Fruit Farms, Inc.*

**Daniel W. Potts**  
*Partner  
 IBM Banking & Insurance  
 Consulting Practice*

**David L. Sites**  
*Owner & Managing Partner  
 Realty Leasing &  
 Management Co.*

**Frank Elsner, III**  
*Owner & Managing Director  
 ODT Global, LLC  
 Chairman of the Board  
 ACNB Corporation  
 and ACNB Bank*

**Robert W. Miller**  
*Vice President  
 Miller, Brown, Ohm &  
 Associates, P.C.*

**Thomas A. Ritter**  
*President & Chief  
 Executive Officer  
 ACNB Corporation  
 Chief Executive Officer  
 ACNB Bank*

**Alan J. Stock**  
*Owner  
 Eicholtz Company  
 Vice Chairman  
 ACNB Corporation  
 and ACNB Bank*

**James P. Helt\***  
*President  
 ACNB Bank*

**Donna M. Newell**  
*President & Chief  
 Executive Officer  
 NTM Engineering, Inc.*

**Marian B. Schultz**  
*Retired Dean  
 Shippensburg University*

**James E. Williams**  
*Principal Owner & President  
 C.E. Williams Sons, Inc.*

**Scott L. Kelley, Esquire**  
*President  
 Stonesifer and Kelley, P.C.*

**J. Emmett Patterson**  
*President & Owner  
 JDCS Enterprise &  
 Fry Guy Corporation*

*\*Serves on ACNB Bank  
 Board only*



### ACNB Corporation and ACNB Bank Directors

*Front: J. Emmett Patterson;  
 Marian B. Schultz; Richard L.  
 Alloway II; Scott L. Kelley.*

*Back: James E. Williams;  
 David L. Sites; Daniel W.  
 Potts; Frank Elsner, III;  
 Thomas A. Ritter; James P.  
 Helt; Alan J. Stock; James J.  
 Lott; Donna M. Newell;  
 Robert W. Miller.*

## Russell Insurance Group, Inc. Board of Directors

**Thomas A. Ritter**  
*Chairman of the Board*

**Frank Elsner, III**  
*Vice Chairman*

**Lynda L. Glass**  
**James P. Helt**  
**Scott L. Kelley, Esquire**

**Daniel W. Potts**  
**Frank C. Russell, Jr.**

## ACNB Bank Honorary Directors

**Dana P. Brandt**  
**Frank C. Egger**  
**William B. Lower**

**Mervin J. Morrison**  
**W. Irvin Nelson**

# Officers

## ACNB Corporation

**Frank Elsner, III**  
*Chairman of the Board*

**Thomas A. Ritter**  
*President &  
Chief Executive Officer*

**Lynda L. Glass**  
*Executive Vice President/  
Secretary &  
Chief Governance Officer*

**David W. Cathell**  
*Executive Vice President/  
Treasurer &  
Chief Financial Officer*

## ACNB Bank

**Frank Elsner, III**  
*Chairman of the Board*

**Thomas A. Ritter**  
*Chief Executive Officer*

**James P. Helt**  
*President*

**David W. Cathell**  
*Executive Vice President/  
Treasurer &  
Chief Financial Officer*

**Lynda L. Glass**  
*Executive Vice President/  
Secretary and Chief Risk  
& Governance Officer*

**Laurie A. Laub**  
*Executive Vice President/  
Chief Credit & Operations  
Officer*

**Douglas A. Seibel**  
*Executive Vice President/  
Chief Lending & Revenue  
Officer*

**Thomas R. Stone**  
*Executive Vice President/  
Chief Community Banking  
Officer*

**Sandra A. Deaner**  
*Senior Vice President/  
Human Resources Manager*

**Kathy S. Hansel**  
*Senior Vice President/  
Controller*

**Michelle N. Paulnock**  
*Senior Vice President/  
Information Systems  
Manager*

**Carl L. Ricker**  
*Senior Vice President/  
Residential Mortgage  
Lending Sales Manager*

**Lauren L. Shutt**  
*Senior Vice President/  
Risk Manager*

**Wayne A. Steinour**  
*Senior Vice President/  
Agribusiness Lending  
Manager*

**Scott A. Yeager**  
*Senior Vice President/  
Consumer Lending Sales &  
Training Manager*



### ACNB Bank Executive Management

*Front: Douglas A. Seibel, Executive Vice President/Chief Lending & Revenue Officer; Lynda L. Glass, Executive Vice President/Secretary and Chief Risk & Governance Officer; Laurie A. Laub, Executive Vice President/Chief Credit & Operations Officer; Thomas R. Stone, Executive Vice President/Chief Community Banking Officer.*

*Back: David W. Cathell, Executive Vice President/Treasurer & Chief Financial Officer; Thomas A. Ritter, Chief Executive Officer; James P. Helt, President.*



### *First Vice Presidents*

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**Karen B. Arthur**  
**Barry C. Dillman**

**Scott E. Hartlaub**  
**Kevin J. Hayes**

**L. John Hicks**  
**Dennis R. Hollinger**

### *Vice Presidents*

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**Brian T. Adair**  
**Daniel K. Baer**  
**Mark P. Bernier**  
**David S. Campbell**  
**Cara Lynn Clabaugh**  
**David W. Deaner**  
**Tiffany M. Faust**  
**Charlene L. Feuchtenberger**  
**Claire M. Forbush**

**Stephen C. Hawbaker**  
**Vickie L. Hoffheins**  
**Gary R. Holder**  
**Thomas A. Holmes**  
**Leslie R. Horn**  
**John E. Kashner**  
**Frank E. Koser II**  
**Susan R. Lang**  
**Beth W. Lesko**

**Gregory S. Liegey**  
**Debra T. Little**  
**Laura L. McCusker**  
**Cheryl A. McVay**  
**Donald C. McVay**  
**Celeste M. Miller**  
**Scott A. Miller**  
**Lauren J. Muzzy**  
**Jeffrey A. Pottorff**

**Edward C. Price, Jr.**  
**Gary W. Rappoldt**  
**Wendy D. Roth**  
**Christine R. Settle**  
**James E. Showvaker**  
**Rhonda L. Winterstein**  
**Merle J. Zehr**  
**Christina D. Ziser**

### *Assistant Vice Presidents*

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**Kevin L. Cook**  
**Andrée V. Dennis**  
**Carolyn M. Dull**  
**Kim D. Elmo**  
**Kimberly S. Flickinger**

**Jacqueline A. Grasley**  
**Barbara D. Guise**  
**Jane E. Gwyn**  
**Grant J. Holub**

**George F. Marguglio**  
**R. Mark Purdy**  
**Susan M. Saylor**  
**Patrick O. Sease**

**Jody M. Shealer**  
**Lisa A. Smith**  
**Jeffrey B. Stambaugh**  
**Ruby L. Sullivan**

### **Russell Insurance Group, Inc.**

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**Frank C. Russell, Jr.**  
*President &  
Chief Executive Officer*

**Daniel J. Coughlin**  
*Vice President*

**David W. Cathell**  
*Vice President & Treasurer*

**Lynda L. Glass**  
*Vice President & Secretary*

# Office Locations

## ACNB Bank

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### **Arendtsville**

Arendtsville Office  
101 Main Street  
Arendtsville, PA 17303

### **Bendersville**

Bendersville Office  
101 North Main Street  
Bendersville, PA 17306

### **Biglerville**

Biglerville Office  
3459 Biglerville Road  
Biglerville, PA 17307

### **Cashtown**

Franklin Township Drive-Up  
10 High Street  
Cashtown, PA 17310

### **Chambersburg**

Chambersburg Office  
850 Norland Avenue  
Chambersburg, PA 17201

Chambersburg Drive-Up  
915 Wayne Avenue  
Chambersburg, PA 17201

### **Dillsburg**

Dillsburg Office  
3 Tristan Drive  
Dillsburg, PA 17019

### **East Berlin**

East Berlin Office  
1677 Route 194 North  
East Berlin, PA 17316

### **Fairfield/Carroll Valley**

Fairfield/Carroll  
Valley Office  
4910 Fairfield Road  
Fairfield, PA 17320

### **Gettysburg**

Adams Commerce  
Center Drive-Up  
100 V-Twin Drive  
Gettysburg, PA 17325

Lincoln Square Office  
16 Lincoln Square  
Gettysburg, PA 17325

North Gettysburg Office  
675 Old Harrisburg Road  
Gettysburg, PA 17325

West Gettysburg Office  
545 West Middle Street  
Gettysburg, PA 17325

### **Hanover**

North Hanover Office  
1127 Eichelberger Street  
Hanover, PA 17331

South Hanover Office  
1801 Baltimore Pike  
Hanover, PA 17331

### **Littlestown**

Littlestown Office  
444 West King Street  
Littlestown, PA 17340

### **McSherrystown**

McSherrystown Office  
369 Main Street  
McSherrystown, PA 17344

### **New Oxford**

New Oxford Office  
318 Lincoln Way East  
New Oxford, PA 17350

### **Newville**

Newville Office  
39 Carlisle Road  
Newville, PA 17241

### **Spring Grove**

Spring Grove Office  
221 North Main Street  
Spring Grove, PA 17362

### **York**

South York Plaza Office  
201 Pauline Drive  
York, PA 17402

York Loan Office  
1601 South Queen Street  
York, PA 17403

### **York Springs**

York Springs Office  
202 Main Street  
York Springs, PA 17372

## Russell Insurance Group, Inc.

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### **Westminster Office**

2526 West Liberty Road  
Westminster, MD 21157

### **Germantown Office**

19500 Amaranth Drive, Suite C  
Germantown, MD 20874

# Contact Information

## ACNB Bank

acnb.com

## Customer Contact Center

Toll Free 1.888.334.ACNB (2262)

## 24-Hour Telephone Banking Line

Toll Free 1.888.338.ACNB (2262)

## Russell Insurance Group, Inc.

riginsurance.com

Toll Free 1.800.289.4097

## Forward-Looking Statements

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In addition to historical information, this document contains forward-looking statements. Examples of forward-looking statements include, but are not limited to, (a) projections or statements regarding future earnings, expenses, net interest income, other income, earnings or loss per share, asset mix and quality, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management or the Board of Directors, and (c) statements of assumptions, such as economic conditions in the Corporation's market areas. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "intends", "will", "should", "anticipates", or the negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. Forward-looking statements are subject to certain risks and uncertainties such as local economic conditions, competitive factors, and regulatory limitations. Actual results may differ materially from those projected in the forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: the effects of governmental and fiscal policies, as well as legislative and regulatory changes; the effects of new laws and regulations, specifically the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act; impacts of the new capital and liquidity requirements of the Basel III standards; the effects of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters; ineffectiveness of the business strategy due to changes in current or future market conditions; future actions or inactions of the United States government, including the effects of short- and long-term federal budget and tax negotiations and a failure to increase the government debt limit or a prolonged shutdown of the federal government; the effects of economic deterioration and the prolonged economic malaise on current customers, specifically the effect of the economy on loan customers' ability to repay loans; the effects of competition, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products and services; the risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities, and interest rate protection agreements, as well as interest rate risks; difficulties in acquisitions and integrating and operating acquired business operations, including information technology difficulties; challenges in establishing and maintaining operations in new markets; the effects of technology changes; volatilities in the securities markets; slow economic conditions; the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities; acts of war or terrorism; disruption of credit and equity markets; the ability to manage current levels of impaired assets; the loss of certain key officers; the ability to maintain the value and image of the Corporation's brand and protect the Corporation's intellectual property rights; continued relationships with major customers; and, potential impacts to the Corporation from continually evolving cybersecurity and other technological risks and attacks, including additional costs, reputational damage, regulatory penalties, and financial losses. We caution readers not to place undue reliance on these forward-looking statements. They only reflect management's analysis as of this date. The Corporation does not revise or update these forward-looking statements to reflect events or changed circumstances. Please carefully review the risk factors described in other documents the Corporation files from time to time with the Securities and Exchange Commission, including the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. Please also carefully review any Current Reports on Form 8-K filed by the Corporation with the Securities and Exchange Commission.



ACNB CORPORATION

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