

January 20, 2022

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C&N DECLARES DIVIDEND AND ANNOUNCES FOURTH QUARTER 2021 UNAUDITED FINANCIAL RESULTS FOR IMMEDIATE RELEASE:

Wellsboro, PA – Citizens & Northern Corporation (“C&N”) (NASDAQ: CZNC) announced its most recent dividend declaration and its unaudited, consolidated financial results for the three-month and annual periods ended December 31, 2021. Brad Scovill, President and CEO, said “C&N delivered a strong fourth quarter performance and record net income for 2021 of \$30.6 million. These results were supported by our relationship-based business model and recent acquisitions, as well as the government’s response to COVID-19 and subsequent economic rebound.”

Dividend Declared

On January 20, 2022, C&N’s Board of Directors declared a regular quarterly cash dividend of \$0.28 per share. The dividend is payable on February 11, 2022 to shareholders of record as of January 31, 2022.

Unaudited Financial Information

Net income was \$0.46 per diluted share in the fourth quarter 2021, down from \$0.47 in the third quarter 2021 and up \$0.03 from \$0.43 in the fourth quarter 2020. For the year ended December 31, 2021, net income per diluted share was \$1.92, up from \$1.30 per share for the year ended December 31, 2020.

As described below, earnings of \$0.46 per share for the fourth quarter 2021 were 11.5% lower than fourth quarter 2020 non-U.S. generally accepted accounting principles (U.S. GAAP) earnings per share of \$0.52 as adjusted to exclude the impact of merger-related expenses and loss on prepayment of borrowings. For the year ended December 31, 2021, earnings of \$1.92 per share were 6.7% higher than the year ended December 31, 2020 non-U.S. GAAP earnings per share of \$1.80 as adjusted to exclude the impact of merger-related expenses and loss on prepayment of borrowings. Effective July 1, 2020, C&N acquired Covenant Financial, Inc. (“Covenant”). C&N incurred pre-tax merger-related expenses related to the Covenant transaction of \$7.7 million for the year ended December 31, 2020, including expenses totaling \$0.2 million in the fourth quarter 2020. In the fourth quarter 2020, C&N incurred a pre-tax loss of \$1.6 million on prepayment of long-term borrowings (Federal Home Loan Bank of Pittsburgh advances) with outstanding balances totaling \$48.0 million. The borrowings included several advances maturing in 2022 through 2024 with a weighted-average interest rate of 1.77% and a weighted-average duration of 2.3 years.

The following table provides a reconciliation of C&N’s unaudited earnings results under U.S. GAAP to comparative non-U.S. GAAP results excluding merger-related expenses and loss on prepayment of borrowings. Management believes disclosure of unaudited earnings results for the periods presented, adjusted to exclude the impact of these items, provides useful information to investors for comparative purposes.

RECONCILIATION OF UNAUDITED U.S. GAAP NET INCOME AND DILUTED EARNINGS PER SHARE TO NON-U.S. GAAP MEASURE

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

	4th Quarter 2021				4th Quarter 2020			
	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share
Earnings Under U.S. GAAP	\$ 8,985	\$ 1,677	\$ 7,308	\$ 0.46	\$ 8,251	\$ 1,481	\$ 6,770	\$ 0.43
Add: Merger-Related Expenses (1)	0	0	0		182	38	144	
Add: Loss on Prepayment of Borrowings (1)	0	0	0		1,636	344	1,292	
Adjusted Earnings (Non-U.S. GAAP)	<u>\$ 8,985</u>	<u>\$ 1,677</u>	<u>\$ 7,308</u>	<u>\$ 0.46</u>	<u>\$ 10,069</u>	<u>\$ 1,863</u>	<u>\$ 8,206</u>	<u>\$ 0.52</u>

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share
Earnings Under U.S. GAAP	\$ 37,687	\$ 7,133	\$ 30,554	\$ 1.92	\$ 23,212	\$ 3,990	\$ 19,222	\$ 1.30
Add: Merger-Related Expenses (1)	0	0	0		7,708	1,574	6,134	
Add: Loss on Prepayment of Borrowings (1)	0	0	0		1,636	344	1,292	
Adjusted Earnings (Non-U.S. GAAP)	<u>\$ 37,687</u>	<u>\$ 7,133</u>	<u>\$ 30,554</u>	<u>\$ 1.92</u>	<u>\$ 32,556</u>	<u>\$ 5,908</u>	<u>\$ 26,648</u>	<u>\$ 1.80</u>

- (1) Income tax has been allocated based on a marginal income tax rate of 21%. The effect on the income tax provision is adjusted for the estimated nondeductible portion of the expenses. Merger-related expenses are for the Covenant Financial, Inc. (“Covenant”) acquisition completed on July 1, 2020.

Additional highlights related to C&N’s fourth quarter and annual unaudited U.S. GAAP earnings results as compared to the third quarter 2021 and comparative periods of 2020 are presented below.

Fourth Quarter 2021 as Compared to Third Quarter 2021

Net income was \$7,308,000, or \$0.46 per diluted share, for the fourth quarter 2021 as compared to \$7,399,000, or \$0.47 per diluted share, in the third quarter 2021.

- Net interest income totaled \$19,716,000 in the fourth quarter 2021, up \$257,000 from the third quarter. The net interest rate spread increased 0.06%, as the average yield on earning assets increased 0.04% to 3.93% while the average rate on interest-bearing liabilities decreased 0.02% to 0.41%. The net interest margin was 3.65% in the fourth quarter 2021, up from 3.59% in the third quarter. Total interest and fees from loans originated under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) were \$1,644,000 in the fourth quarter 2021, a slight increase from the third quarter 2021 total of \$1,639,000. Income from PPP loans included fees recognized upon the SBA’s repayment of loans tied to the forgiveness of the underlying borrowers. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of \$431,000 in the fourth quarter 2021 as compared to a net positive impact of \$563,000 in the third quarter 2021.
- The provision for loan losses was \$1,128,000 in the fourth quarter 2021, a decrease in expense of \$402,000 from the third quarter 2021 provision of \$1,530,000. The fourth quarter provision included a net charge of \$148,000 related to specific loans (net charge-offs of \$291,000 offset by a net decrease in specific allowances on loans of \$143,000), and an increase of \$980,000 in the collectively determined portion of the allowance. The increase in the collectively determined portion of the allowance reflected the impact of an increase in volume of commercial loans, excluding PPP loans. In the fourth quarter 2021, C&N recorded a partial charge-off of \$269,000 on a commercial loan for which a partial charge-off of \$1,194,000 was recorded in the third quarter. At December 31, 2021, the outstanding balance on this loan was \$1,391,000.

- Noninterest income of \$6,416,000 in the fourth quarter 2021, increased \$57,000 from the third quarter 2021 amount. Significant variances included the following:
 - Trust revenue of \$1,980,000 increased \$159,000 from the third quarter 2021 total, reflecting the impact of growth in trust assets under management including the impact of market value appreciation.
 - Other noninterest income of \$743,000 increased \$78,000 from the third quarter 2021 total, including a \$46,000 gain from a sale of land adjacent to a branch facility.
 - Net gains from sales of loans of \$642,000 decreased \$155,000 from the third quarter 2021 total, reflecting a reduction in volume of residential mortgage loans sold.
 - Brokerage and insurance revenue of \$468,000 decreased \$92,000 from the third quarter 2021 total, due to commissions on lower transaction volume.

- Noninterest expense of \$16,018,000 in the fourth quarter 2021, increased \$672,000 from the third quarter 2021 amount. Significant variances included the following:
 - Salaries and employee benefits of \$9,782,000 increased \$355,000 from the third quarter 2021 total, including an increase in health care expense of \$345,000 due to higher claims on C&N's partially self-insured plan, partially offset by stock-based compensation expense decreasing \$100,000 consistent with an updated comparison of C&N's earnings performance to that of defined peer groups.
 - Other noninterest expense of \$1,999,000 increased \$149,000 from the third quarter 2021 total. Within this category, significant variances included the following:
 - The provision for credit losses on off balance sheet exposures related to residential mortgage loans sold totaled \$85,000, with no corresponding expense in the third quarter. At December 31, 2021, the allowance for credit losses on residential mortgage loans sold was \$635,000. There have been no charge-offs associated with residential mortgage loans sold through December 31, 2021.
 - Other increases include subscription and professional association dues of \$31,000, other operational losses of \$30,000, other loan losses of \$24,000, legal fees and expenses of \$23,000, and business development expenses of \$22,000.
 - Gains on other real estate properties totaled \$78,000 in the fourth quarter 2021 as compared to net losses of \$16,000 in the third quarter.

- The income tax provision was \$1,677,000 for the fourth quarter 2021, up from \$1,566,000 for the third quarter 2021. In the third quarter 2021, the provision for state and local income taxes was reduced based on adjustments to apportionment estimates and other factors.

Fourth Quarter 2021 as Compared to Fourth Quarter 2020

As described above, fourth quarter 2021 net income was \$7,308,000. In comparison, fourth quarter 2020 net income was \$6,770,000, and excluding merger-related expenses, adjusted (non-U.S. GAAP) earnings were \$8,206,000. Other significant variances were as follows:

- Fourth quarter 2021 net interest income of \$19,716,000 was \$39,000 lower than the fourth quarter 2020 total. Average outstanding loans decreased \$115.2 million, including a reduction in average PPP loans of \$112.5 million, and average total deposits increased \$87.6 million. The net interest margin for the fourth quarter 2021 was 3.65% as compared to 3.76% for the fourth quarter 2020. The average yield on earning assets of 3.93% for the fourth quarter 2021 was down 0.22% from the fourth quarter 2020, while the average rate on interest-bearing liabilities of 0.41% in the fourth quarter 2021 was 0.14% lower than the comparable fourth quarter 2020 average rate. Interest and fees on PPP loans totaled \$1,644,000 in the fourth quarter 2021, an increase of \$149,000 over the fourth quarter 2020 amount. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of \$431,000 in the fourth quarter 2021 as compared to a net positive impact of \$1,273,000 in the fourth quarter 2020.
- The provision for loan losses was \$1,128,000 in the fourth quarter 2021 as compared to \$620,000 in the fourth quarter 2020. Details concerning the fourth quarter 2021 provision for loan losses were described previously. The fourth quarter 2020 provision included a net charge of \$262,000 related to specific loans (increase in specific allowances on loans of \$274,000, partially offset by net recoveries of \$12,000) and a charge of \$358,000 attributable to increases in the collectively determined portion of the allowance for loan losses.
- Noninterest income of \$6,416,000 in the fourth quarter 2021, decreased \$149,000 from the fourth quarter 2020 amount. Significant variances included the following:
 - Net gains from sales of loans of \$642,000 decreased \$830,000 from the fourth quarter 2020 total, as the volume of residential mortgage loans sold in the fourth quarter 2021 was down from the fourth quarter 2020 level.
 - Trust revenue of \$1,980,000 increased \$298,000 from the fourth quarter 2020 total, reflecting the impact of growth in trust assets under management including the impact of market value appreciation.
 - Service charges on deposit accounts of \$1,296,000 increased \$191,000 from the fourth quarter 2020 total, as the volume of consumer and business overdraft and other activity increased.
 - Interchange revenue from debit card transactions of \$1,001,000 increased \$184,000 from the fourth quarter 2020 total, reflecting increases in transaction volumes-
 - Brokerage and insurance revenue of \$468,000 increased \$103,000 from the fourth quarter 2020 total, due to commissions on higher transaction volume.
- Noninterest expense of \$16,018,000 in the fourth quarter 2021, increased \$243,000 from the fourth quarter 2020 amount, excluding merger-related expenses and loss on prepayment of borrowings. Significant variances included the following:
 - Data processing and telecommunications expense of \$1,561,000 increased \$204,000 from the fourth quarter 2020 total, including the impact of increases in software licensing and maintenance costs associated with core banking, lending, trust and other functions.

- Professional fees of \$560,000 increased \$133,000 from the fourth quarter 2020 total, including increases in recruiting services and expense related to the annual strategic planning process.
- Salaries and employee benefits of \$9,782,000 decreased \$216,000 from the fourth quarter 2020 total, including a \$723,000 decrease in cash-and-stock-based incentive compensation based on updated comparisons of C&N's earnings performance to that of defined peer groups in both years, partially offset by an increase in health care expense of \$436,000 due to higher claims on C&N's partially self-insured plan.
- The income tax provision of \$1,677,000 for the fourth quarter 2021 increased \$196,000 from \$1,481,000 for the fourth quarter 2020, reflecting higher pre-tax income.

Year ended December 31, 2021 as Compared to Year Ended December 31, 2020

Net income for the year ended December 31, 2021 was \$30,554,000, or \$1.92 per diluted share, while net income for the year ended December 31, 2020 was \$19,222,000, or \$1.30 per share. Excluding the impact of merger-related expenses and loss on prepayment of borrowings, adjusted (non-U.S. GAAP) earnings for the year ended December 31, 2020 would be \$26,648,000 or \$1.80 per share. Other significant variances were as follows:

- For the year ended December 31, 2021, net interest income of \$77,939,000 was up \$10,374,000 over the 2020 total, reflecting growth mainly attributable to the Covenant acquisition that closed July 1, 2020. Average outstanding loans increased \$151.7 million, and average total deposits increased \$319.0 million. The net interest margin for the year ended December 31, 2021 was 3.69%, unchanged from 2020. Interest and fees on PPP loans totaled \$6,530,000 for the year ended December 31, 2021, an increase of \$3,606,000 compared to 2020. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of \$2,659,000 for the year ended December 31, 2021 as compared to a net positive impact of \$3,272,000 in 2020.
- For the year ended December 31, 2021, the provision for loan losses was \$3,661,000, a decrease in expense of \$252,000 as compared to \$3,913,000 recorded in 2020. In 2021, the provision includes the impact of partial charge-offs totaling \$1,463,000 on a commercial loan, as previously discussed. In total, the provision for 2021 included a net charge of \$1,324,000 related to specific loans (net charge-offs of \$1,509,000 offset by a net decrease in specific allowances on loans of \$185,000), an increase of \$2,251,000 in the collectively determined portion of the allowance and an \$86,000 increase in the unallocated allowance. The increase in the collectively determined portion of the allowance reflected the impact of an increase in volume of commercial loans, excluding PPP loans. In comparison, the provision for loan losses in 2020 included the impact of a \$2,219,000 charge-off on one commercial loan.
- Noninterest income of \$25,857,000 for the year ended December 31, 2021, increased \$1,513,000 from the total for the year ended December 31, 2020. Significant variances included the following:
 - Trust revenue of \$7,234,000 increased \$913,000 reflecting the impact of growth in average trust assets under management including the impact of market value appreciation.
 - Interchange revenue from debit card transactions of \$3,855,000 increased \$761,000, reflecting an increase in transaction volumes.
 - Loan servicing fees, net, of \$694,000 increased \$755,000 over the 2020 total of negative \$61,000 (a decrease in revenue). The net increase reflects growth in volume of residential mortgage loans sold with servicing retained. Further, the fair value of servicing rights decreased \$68,000 in 2021 as compared to a reduction in fair value of \$576,000 in 2020 mainly due to changes in assumptions related to prepayments of mortgage loans.

- Service charges on deposit accounts of \$4,633,000 increased \$402,000, as consumer and business activity increased.
- Brokerage and insurance revenue of \$1,860,000 increased \$374,000, due to commissions on higher transaction volume.
- Other noninterest income totaled \$3,580,000, an increase of \$225,000 over 2020. Within this category, significant variances included the following:
 - Income from realization of tax credits was \$268,000 higher in 2021 as compared to 2020 due to higher PA Educational Improvement Tax Credit Program donations.
 - Credit card interchange income increased \$144,000 due to higher transaction volume.
 - Fee income for providing credit enhancement on mortgage loans sold increased \$122,000.
 - Other noninterest income decreased \$272,000 as C&N recognized income of \$279,000 in the third quarter 2020 from a life insurance arrangement in which benefits were split between C&N and heirs of a former employee.
 - Dividend income from Federal Home Loan Bank stock decreased \$140,000.
- Net gains from sales of loans totaled \$3,428,000 in 2021, a decrease of \$1,975,000 from 2020. The decrease reflects a decrease in volume of mortgage loans sold, resulting mainly from lower refinancing activity and overall market conditions.
- Noninterest expense of \$62,472,000 for the year ended December 31, 2021 increased \$6,863,000 from the 2020 total, excluding merger-related expenses and loss on prepayment of borrowings. Significant variances included the following:
 - Total salaries and wages and benefits expenses increased \$4,541,000, reflecting inclusion of the former Covenant operations for twelve months in 2021 as compared to six months in 2020, as well as increases in lending, human resources, information technology and other personnel needed to accommodate growth, and increases in health care expense due to higher claims on C&N's partially self-insured plan.
 - Data processing and telecommunications expenses increased \$587,000, including the impact of growth related to the Covenant acquisition, increased costs from outsourced support services and other increases in software licensing and maintenance costs.
 - Professional fees expense increased \$551,000, mainly due to increases in recruiting services and PPP loan processing professional fees.
 - Net occupancy and equipment expense increased \$523,000, primarily reflecting an increase due to the Covenant acquisition.
 - Pennsylvania shares tax expense increased \$262,000 reflecting the increase in C&N Bank's stockholders' equity.
 - Automated teller machine and interchange expense increased \$202,000 reflecting increased volume of activity.
 - Other noninterest expense increased \$197,000. Within this category, significant variances included the following:
 - FDIC insurance expense totaled \$581,000, an increase of \$258,000.
 - Business development expenses totaled \$452,000, an increase of \$220,000, due primarily to an increase in public relations expense.

- Donations expense increased \$208,000, mainly due to an increase in donations associated with the PA Educational Improvement Tax Credit program.
 - Other increases include legal fees and expenses of \$83,000, bank insurance of \$56,000, accounting and auditing expense of \$51,000, and credit card reward redemption expense of \$50,000.
 - Other operational losses totaled \$199,000, a decrease of \$405,000, including a reduction in charges related to Trust Department tax compliance and preparation matters.
 - Gains on other real estate properties totaled \$100,000 in 2021 as compared to net losses of \$146,000 in 2020.
 - The allowance for SBA claim adjustments decreased, reflecting more favorable claim results than previously estimated, resulting in a reduction in expense of \$236,000 in 2021 as compared to a reduction in expense of \$70,000 in 2020.
- The income tax provision was \$7,133,000 for the year ended December 31, 2021, up from \$3,990,000 for the year ended December 31, 2020. Pre-tax income was \$14,475,000 higher in 2021 as compared to 2020. The effective tax rate was 18.9% for 2021, higher than the 17.2% effective tax rate for 2020. The tax benefit of tax-exempt interest income was 2.4% of pre-tax income in 2021 as compared to a 3.5% benefit in 2020.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$2,327,648,000 at December 31, 2021, down from \$2,354,896,000 at September 30, 2021 and up 4.0% from \$2,239,100,000 at December 31, 2020.
- Net loans outstanding (excluding mortgage loans held for sale) were \$1,551,312,000 at December 31, 2021, down from \$1,563,008,000 at September 30, 2021 and down 5.0% from \$1,632,824,000 at December 31, 2020. Loans outstanding, excluding PPP loans, totaled \$1,537,985,000 at December 31, 2021, an increase of \$25,005,000 from total loans excluding PPP loans at September 30, 2021. In comparing outstanding balances at December 31, 2021 and 2020, total commercial loans were down \$29.4 million (2.9%), including a reduction in PPP loans of \$105.4 million and an increase in other commercial loans of \$76.0 million, total residential mortgage loans were lower by \$50.8 million (8.2%) and total consumer loans were up \$0.8 million (5.2%). The outstanding balance of residential mortgage loans originated and serviced by C&N that have been sold to third parties was \$334.7 million at December 31, 2021, up \$55.9 million (20.0%) from December 31, 2020.
- To work with clients impacted by COVID-19, C&N offered short-term loan modifications (deferrals) on a case-by-case basis to borrowers throughout most of 2021 and 2020 who were current in their payments prior to modification. These loans were not reported as past due or troubled debt restructurings during the deferral period. At December 31, 2021 and September 30, 2021, there were no loans in deferral status under the program. In comparison, at December 31, 2020, there were 45 loans with an aggregate recorded investment of \$44.6 million in deferral status.
- Total nonperforming assets as a percentage of total assets was 0.94% at December 31, 2021, down from 1.05% at September 30, 2021 and 1.10% at December 31, 2020. Total nonperforming assets were \$21.9 million at December 31, 2021, down from \$24.6 million at September 30, 2021 and \$24.7 million at December 31, 2020.
- The allowance for loan losses was \$13.5 million at December 31, 2021, or 0.87% of total loans as compared to \$12.7 million or 0.81% of total loans at September 30, 2021. In 2020 and 2019, C&N recorded performing loans purchased from other financial institutions at fair value. The calculations of fair value included discounts for credit losses, reflecting an estimate of the present value of credit losses based on market expectations. The total allowance for loan losses and the credit adjustment on purchased non-impaired loans at December 31, 2021 was \$16.9 million, or 1.08% of total loans receivable and the credit adjustment. The comparative ratios were 1.05% at September 30, 2021 and December 31, 2020.

- Deposits totaled \$1,925,060,000 at December 31, 2021, down from \$1,940,141,000 at September 30, 2021, and up 5.7% from \$1,820,469,000 at December 31, 2020.
- Total stockholders' equity was \$301,405,000 at December 31, 2021, up from \$299,402,000 at September 30, 2021 and \$299,756,000 at December 31, 2020. Within stockholders' equity, the portion of accumulated other comprehensive income related to available-for-sale debt securities was \$4,809,000 at December 31, 2021, down from \$6,300,000 at September 30, 2021 and \$11,676,000 at December 31, 2020. Fluctuations in accumulated other comprehensive income related to valuations of available-for-sale debt securities have been caused by changes in interest rates.
- In February 2021, C&N amended its existing treasury stock repurchase program. Under the amended program, C&N is authorized to repurchase up to 1,000,000 shares of the Corporation's common stock, or 6.25% of the Corporation's issued and outstanding shares at February 18, 2021. In the fourth quarter 2021, 6,959 shares were repurchased for a total cost of \$174,000, at an average price of \$24.97 per share. Cumulatively through December 31, 2021, 299,059 shares have been repurchased for a total cost of \$7,412,000, at an average price of \$24.78 per share.
- In May 2021, C&N completed a private placement of \$25 million of 3.25% Fixed-to-Floating Rate Subordinated Debt due 2031 and \$15 million of 2.75% Fixed Rate Senior Unsecured Notes due 2026. The Subordinated Debt qualifies as Tier 2 capital. In June 2021, a portion of the proceeds was used to redeem subordinated debt with par values totaling \$8 million. The remaining proceeds are available for general corporate purposes.
- Citizens & Northern Bank is subject to various regulatory capital requirements. At December 31, 2021, Citizens & Northern Bank maintains regulatory capital ratios that exceed all capital adequacy requirements. Management expects the Bank to remain well-capitalized for the foreseeable future.
- Trust assets under management by C&N's Wealth Management Group amounted to \$1,232,919,000 at December 31, 2021, up 4.1% from \$1,183,900,000 at September 30, 2021 and up 11.8% from \$1,103,228,000 at December 31, 2020. Fluctuations in values of assets under management reflect the impact of high recent market volatility.

Citizens & Northern Corporation is the bank holding company for Citizens & Northern Bank, headquartered in Wellsboro, Pennsylvania which operates 30 banking offices located in Bradford, Bucks, Cameron, Chester, Lycoming, McKean, Potter, Sullivan, Tioga, York and Lancaster Counties in Pennsylvania and Steuben County in New York, as well as a loan production office in Elmira, New York. Citizens & Northern Corporation trades on NASDAQ under the symbol "CZNC." For more information about Citizens & Northern Bank and Citizens & Northern Corporation, visit www.cnbankpa.com.

Safe Harbor Statement: Except for historical information contained herein, the matters discussed in this release are forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the following: the effect of COVID-19 and related events, which could have a negative effect on C&N's business prospects, financial condition and results of operations, including as a result of quarantines; market volatility; market downturns; changes in consumer behavior; business closures; deterioration in the credit quality of borrowers or the inability of borrowers to satisfy their obligations to C&N (and any related forbearances or restructurings that may be implemented); changes in the value of collateral securing outstanding loans; changes in the value of the investment securities portfolio; effects on key employees, including operational management personnel and those charged with preparing, monitoring and evaluating the companies' financial reporting and internal controls; declines in the demand for loans and other banking services and products, as well as increases in non-performing loans, owing to the effects of COVID-19 in the markets served by C&N and in the United States as a whole; declines in demand resulting from adverse impacts of the disease on businesses deemed to be "non-essential" by governments and individual customers in the markets served by C&N; or branch or office closures and business interruptions triggered by the disease; changes in monetary and fiscal policies of the Federal Reserve Board and the U.S. Government, particularly related to changes in interest rates; changes in general economic conditions caused by factors other than COVID-19; legislative or regulatory changes; downturn in demand for loan, deposit and other financial services in the Corporation's market area; increased competition from other banks and non-bank providers of financial services; technological changes and increased technology-related costs; changes in management's assessment of realization of securities and other assets; and changes in accounting principles, or the application of generally accepted accounting principles. Citizens & Northern disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CITIZENS&NORTHERN

CORPORATION

December 31, 2021

QUARTERLY REPORT

Dear Shareholder:

C&N delivered a strong fourth quarter performance and record net income for 2021 of \$30.6 million. These results were supported by our relationship-based business model and recent acquisitions, as well as the government's response to COVID-19 and subsequent economic rebound. The C&N Team was steadfast in its focus on our mission of "Creating Value Through Lifelong Relationships" during 2021, producing great results in a unique environment. The last three months of 2021 remained volatile as the world continued to debate and react to the pandemic and its impact on the economy, public policy, and our culture. Real GDP is estimated to have increased by 6%, fueled by robust consumer spending. While this is good news, there are persistent supply chain, workforce, and inflation pressures affecting many individuals and businesses. Cumulatively, these pressures have driven a modest increase in intermediate and long-term interest rates and more certainty that the Fed will act to raise short-term rates early in 2022. Progress regarding COVID-19 that was evident early in the fourth quarter slipped a bit with the rapid spread of the Omicron variant beginning in December, creating renewed uncertainty about the course of the pandemic and public policy reaction.

Through all these challenges, C&N's team members have been fully engaged to provide support, counsel, and solutions to the needs of our customers and communities. This consistency has positioned C&N as a dependable partner, resource, and trusted advisor for all that we serve, and underpins the persistency of our earnings and overall financial strength. Themes for the quarter also remained consistent with prior periods as lending activity in all segments was solid, PPP forgiveness advanced, the wealth management business continued to grow, and the improved base of core deposits was sustained. C&N's excellent risk profile also carried on as credit metrics improved, and liquidity and capital levels remained outstanding.

Earnings for the fourth quarter of 2021 were \$7.3 million, or \$.46 per share compared to \$6.8 million, or \$.43 per share during the fourth quarter of 2020. After adjusting for merger-related expenses and loss on prepayment of borrowings, net income for the fourth quarter of 2020 was \$8.2 million, or \$.52 per share. Net interest income for the fourth quarter of \$19.72 million was \$39,000 lower than 2020 as average loans outstanding declined by \$115.2 million, including a reduction in average PPP loans of \$112.5 million, while average total deposits increased \$87.6 million. The net interest margin was 3.65% for the quarter compared to 3.76% a year earlier. The ongoing low interest rate environment, and higher than normal average balance of lower-yielding deposits with the Federal Reserve and other banks, continue to put pressure on the net interest margin.

The provision for loan losses was \$1,128,000 in the fourth quarter compared to \$620,000 in the fourth quarter of 2020. In each of these quarters, the provision was impacted by increases in the collectively determined portion of the allowance due to loan growth, other than PPP. C&N's credit metrics improved during 2021 as reflected in past due, non-performing loans, and troubled debt restructuring (TDR) balances. As of December 31, 2021, no loans remain in deferral status to support clients impacted by COVID-19.

Noninterest income for the fourth quarter of 2021 was \$6.4 million, a decrease of \$149,000 from the fourth quarter 2020 total. Increased revenue from wealth management, deposit service charges and interchange fees were more than offset by a reduction in net gains from sale of loans due to lower volumes.

Noninterest expenses of \$16.0 million increased \$243,000 during the fourth quarter 2021 compared to the fourth quarter 2020 total, excluding merger-related costs and loss on prepayment of borrowings. Information technology-related expenses and professional fees were the primary drivers of expense growth, while salaries and employee benefits costs declined as the costs of incentive compensation plans were adjusted at year-end.

Earnings for the year ended December 31, 2021 were \$30.55 million, or \$1.92 per share, compared to \$19.22 million, or \$1.30 per share in 2020. Excluding merger related expenses and loss on prepayment of borrowings, net income for 2020 would be \$26.65 million, or \$1.80 per share. The impact of the July 1, 2020 Covenant acquisition is evident in assessing performance in 2021 compared to 2020 including the growth in net interest income of \$10.6 million and noninterest expenses of \$6.9 million. In 2021, noninterest income was up \$1.5 million from the total for 2020, reflecting revenues from wealth management activities, growth in loan servicing fees, and interchange revenue, while net gains from sales of mortgage loans declined. The provision for loan losses of \$3.66 million for 2021 was \$252,000 lower than the comparable amount for 2020 as charges related to specific loans were lower in the current year.

C&N amended its existing stock repurchase program to authorize the repurchase of up to 1,000,000 shares, or 6.25% of the issued and outstanding shares as of February 18, 2021. In the fourth quarter of 2021, 6,959 shares were repurchased at an average price of \$24.97 per share. Cumulatively through December 31, 2021, 299,059 shares have been repurchased for a total cost of \$7,412,000 at an average price of \$24.78 per share. Activating the repurchase program enables C&N to manage total capital and shares outstanding to support growth in return on equity and earnings per share which are ultimately key drivers of our stock price.

Shareholder value is also supported by C&N's cash dividend. Consistent with the third quarter payout, the Board declared a regular quarterly cash dividend of \$.28 per share payable to shareholders of record on January 31, 2022, payable February 11, 2022. On an annualized basis, the dividend yield is 4.25% based on the December 31, 2021 market price of \$26.12.

The accomplishments of the C&N team in 2021, amid a volatile environment, are commendable. With a number of exciting initiatives planned to build on this success in 2022 and beyond, we will continue to create value and deepen relationships with our customers, communities, and shareholders.

As always, we thank you for your support!



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION
(Dollars In Thousands, Except Per Share Data) (Unaudited)

	4TH QUARTER 2021 (Current)	4TH QUARTER 2020 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$ 21,246	\$ 21,859	\$ (613)	(2.80)%
Interest Expense	1,530	2,104	(574)	(27.28)%
Net Interest Income	19,716	19,755	(39)	(0.20)%
Provision for Loan Losses	1,128	620	508	81.94 %
Net Interest Income After Provision for Loan Losses	18,588	19,135	(547)	(2.86)%
Noninterest Income	6,416	6,565	(149)	(2.27)%
Net (Losses) Gains on Available-for-sale Debt Securities	(1)	144	(145)	(100.69)%
Loss on Prepayment of Borrowings	0	1,636	(1,636)	(100.00)%
Merger-Related Expenses	0	182	(182)	(100.00)%
Other Noninterest Expenses	16,018	15,775	243	1.54 %
Income Before Income Tax Provision	8,985	8,251	734	8.90 %
Income Tax Provision	1,677	1,481	196	13.23 %
Net Income	\$ 7,308	\$ 6,770	\$ 538	7.95 %
Net Income Attributable to Common Shares (1)	\$ 7,256	\$ 6,727	\$ 529	7.86 %
PER COMMON SHARE DATA:				
Net Income - Basic	\$ 0.46	\$ 0.43	\$ 0.03	6.98 %
Net Income - Diluted	\$ 0.46	\$ 0.43	\$ 0.03	6.98 %
Dividend Per Share	\$ 0.28	\$ 0.27	\$ 0.01	3.70 %
Number of Shares Used in Computation - Basic	15,630,094	15,799,436		
Number of Shares Used in Computation - Diluted	15,635,892	15,801,068		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION
(Dollars In Thousands, Except Per Share Data) (Unaudited)

	YEARS ENDED December 31,			
	2021 (Current)	2020 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$ 84,501	\$ 77,160	\$ 7,341	9.51 %
Interest Expense	6,562	9,595	(3,033)	(31.61)%
Net Interest Income	77,939	67,565	10,374	15.35 %
Provision for Loan Losses	3,661	3,913	(252)	(6.44)%
Net Interest Income After Provision for Loan Losses	74,278	63,652	10,626	16.69 %
Noninterest Income	25,857	24,344	1,513	6.22 %
Net Gains on Available-for-sale Debt Securities	24	169	(145)	(85.80)%
Loss on Prepayment of Borrowings	0	1,636	(1,636)	(100.00)%
Merger-Related Expenses	0	7,708	(7,708)	(100.00)%
Other Noninterest Expenses	62,472	55,609	6,863	12.34 %
Income Before Income Tax Provision	37,687	23,212	14,475	62.36 %
Income Tax Provision	7,133	3,990	3,143	78.77 %
Net Income	\$ 30,554	\$ 19,222	\$ 11,332	58.95 %
Net Income Attributable to Common Shares (1)	\$ 30,313	\$ 19,106	\$ 11,207	58.66 %
PER COMMON SHARE DATA:				
Net Income - Basic	\$ 1.92	\$ 1.30	\$ 0.62	47.69 %
Net Income - Diluted	\$ 1.92	\$ 1.30	\$ 0.62	47.69 %
Dividend Per Share	\$ 1.11	\$ 1.08	\$ 0.03	2.78 %
Number of Shares Used in Computation - Basic	15,765,639	14,743,386		
Number of Shares Used in Computation - Diluted	15,771,955	14,747,048		

(1) Basic and diluted net income per common share are determined based on net income less earnings allocated to nonvested restricted shares with nonforfeitable dividends.

CONDENSED, CONSOLIDATED BALANCE SHEET DATA
(Dollars In Thousands) (Unaudited)

	December 31, 2021	December 31, 2020	\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$ 104,948	\$ 101,857	\$ 3,091	3.03 %
Available-for-sale Debt Securities	517,679	349,332	168,347	48.19 %
Loans, Net	1,551,312	1,632,824	(81,512)	(4.99)%
Bank-Owned Life Insurance	30,670	30,096	574	1.91 %
Bank Premises and Equipment, Net	20,683	21,526	(843)	(3.92)%
Intangible Assets	55,821	56,356	(535)	(0.95)%
Other Assets	46,535	47,109	(574)	(1.22)%
TOTAL ASSETS	<u>\$ 2,327,648</u>	<u>\$ 2,239,100</u>	<u>\$ 88,548</u>	<u>3.95 %</u>
LIABILITIES				
Deposits	\$ 1,925,060	\$ 1,820,469	\$ 104,591	5.75 %
Borrowed Funds - Federal Home Loan Bank and Repurchase Agreements	29,845	74,630	(44,785)	(60.01)%
Senior Notes, Net	14,701	0	14,701	%
Subordinated Debt, Net	33,009	16,553	16,456	99.41 %
Other Liabilities	23,628	27,692	(4,064)	(14.68)%
TOTAL LIABILITIES	<u>2,026,243</u>	<u>1,939,344</u>	<u>86,899</u>	<u>4.48 %</u>
STOCKHOLDERS' EQUITY				
Common Stockholders' Equity, Excluding Accumulated				
Other Comprehensive Income	296,379	287,961	8,418	2.92 %
Accumulated Other Comprehensive Income:				
Net Unrealized Gains on Available-for-sale Debt Securities	4,809	11,676	(6,867)	(58.81)%
Defined Benefit Plans	217	119	98	82.35 %
TOTAL STOCKHOLDERS' EQUITY	<u>301,405</u>	<u>299,756</u>	<u>1,649</u>	<u>0.55 %</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 2,327,648</u>	<u>\$ 2,239,100</u>	<u>\$ 88,548</u>	<u>3.95 %</u>

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information

CITIZENS&NORTHERN
CORPORATION

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars In Thousands, Except Per Share Data)

(Unaudited)

	FOR THE THREE MONTHS ENDED		%
	December 31,		
	2021	2020	INCREASE (DECREASE)
EARNINGS PERFORMANCE			
Net Income	\$ 7,308	\$ 6,770	7.95 %
Return on Average Assets (Annualized)	1.25 %	1.17 %	6.84 %
Return on Average Equity (Annualized)	9.73 %	9.11 %	6.81 %

	AS OF OR FOR THE YEARS ENDED		%
	December 31,		
	2021	2020	INCREASE (DECREASE)
EARNINGS PERFORMANCE			
Net Income	\$ 30,554	\$ 19,222	58.95 %
Return on Average Assets (Annualized)	1.32 %	0.96 %	37.50 %
Return on Average Equity (Annualized)	10.14 %	7.03 %	44.24 %

BALANCE SHEET HIGHLIGHTS			
Total Assets	\$ 2,327,648	\$ 2,239,100	3.95 %
Available-for-Sale Debt Securities	517,679	349,332	48.19 %
Loans, Net	1,551,312	1,632,824	(4.99)%
Allowance for Loan Losses	13,537	11,385	18.90 %
Deposits	1,925,060	1,820,469	5.75 %

OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$ 334,741	\$ 278,857	20.04 %
Trust Assets Under Management	1,232,919	1,103,228	11.76 %

STOCKHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$ 1.92	\$ 1.30	47.69 %
Net Income - Diluted	\$ 1.92	\$ 1.30	47.69 %
Dividends	\$ 1.11	\$ 1.08	2.78 %
Common Book Value	\$ 19.13	\$ 18.84	1.54 %
Tangible Common Book Value (a)	\$ 15.58	\$ 15.30	1.83 %
Market Value (Last Trade)	\$ 26.12	\$ 19.84	31.65 %
Market Value / Common Book Value	136.54 %	105.31 %	29.66 %
Market Value / Tangible Common Book Value	167.65 %	129.67 %	29.29 %
Price Earnings Multiple (Annualized)	13.60	15.26	(10.88)%
Dividend Yield (Annualized)	4.25 %	5.44 %	(21.88)%
Common Shares Outstanding, End of Period	15,759,090	15,911,984	(0.96)%

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)

(Dollars In Thousands, Except Per Share Data)

(Unaudited)

	AS OF OR FOR THE YEARS ENDED December 31,		% INCREASE (DECREASE)
	2021	2020	
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets (a)	10.81 %	11.15 %	(3.05)%
Nonperforming Assets / Total Assets	0.94 %	1.10 %	(14.55)%
Allowance for Loan Losses / Total Loans	0.87 %	0.69 %	26.09 %
Total Risk Based Capital Ratio (b)	18.37 %	17.49 %	5.03 %
Tier 1 Risk Based Capital Ratio (b)	15.36 %	15.58 %	(1.41)%
Common Equity Tier 1 Risk Based Capital Ratio (b)	15.36 %	15.58 %	(1.41)%
Leverage Ratio (b)	10.53 %	10.34 %	1.84 %
AVERAGE BALANCES			
Average Assets	\$ 2,319,234	\$ 2,009,825	15.39 %
Average Equity	\$ 301,226	\$ 273,351	10.20 %
EFFICIENCY RATIO (c)			
Net Interest Income on a Fully Taxable-Equivalent			
Basis (c)	\$ 79,074	\$ 68,545	15.36 %
Noninterest Income	25,857	24,344	6.22 %
Total (1)	\$ 104,931	\$ 92,889	12.96 %
Noninterest Expense Excluding Merger Expenses and Loss on Prepayment of			
Borrowings (2)	\$ 62,472	\$ 55,609	12.34 %
Efficiency Ratio = (2)/(1)	59.54 %	59.87 %	(0.55)%

(a) Tangible book value per common share and tangible common equity as a percentage of tangible assets are non-U.S. GAAP ratios. Management believes this non-GAAP information is helpful in evaluating the strength of the Corporation's capital and in providing an alternative, conservative valuation of the Corporation's net worth. The ratios shown above are based on the following calculations of tangible assets and tangible common equity:

Total Assets	\$ 2,327,648	\$ 2,239,100
Less: Intangible Assets, Primarily Goodwill	(55,821)	(56,356)
Tangible Assets	\$ 2,271,827	\$ 2,182,744
Total Stockholders' Equity	\$ 301,405	\$ 299,756
Less: Intangible Assets, Primarily Goodwill	(55,821)	(56,356)
Tangible Common Equity (3)	\$ 245,584	\$ 243,400
Common Shares Outstanding, End of Period (4)	15,759,090	15,911,984
Tangible Common Book Value per Share = (3)/(4)	\$ 15.58	\$ 15.30

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

(c) The efficiency ratio is a non-GAAP ratio that is calculated as shown above. For purposes of calculating the efficiency ratio, net interest income on a fully taxable-equivalent basis includes amounts of interest income on tax-exempt securities and loans that have been increased to a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%. In the calculation above, management excluded merger-related expenses.

**QUARTERLY CONDENSED, CONSOLIDATED
INCOME STATEMENT INFORMATION
(Dollars In Thousands, Except Per Share Data)
(Unaudited)**

	For the Three Months Ended :							
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Interest income	\$ 21,246	\$ 21,073	\$ 20,428	\$ 21,754	\$ 21,859	\$ 21,751	\$ 16,513	\$ 17,037
Interest expense	1,530	1,614	1,747	1,671	2,104	2,469	2,267	2,755
Net interest income	19,716	19,459	18,681	20,083	19,755	19,282	14,246	14,282
Provision (credit) for loan losses	1,128	1,530	744	259	620	1,941	(176)	1,528
Net interest income after provision (credit) for loan losses	18,588	17,929	17,937	19,824	19,135	17,341	14,422	12,754
Noninterest income	6,416	6,359	6,300	6,782	6,565	6,970	5,528	5,281
Net (losses) gains on securities	(1)	23	2	0	144	25	0	0
Loss on prepayment of borrowings	0	0	0	0	1,636	0	0	0
Merger-related expenses	0	0	0	0	182	6,402	983	141
Other noninterest expenses	16,018	15,346	15,399	15,709	15,775	14,648	12,274	12,912
Income before income tax provision	8,985	8,965	8,840	10,897	8,251	3,286	6,693	4,982
Income tax provision	1,677	1,566	1,780	2,110	1,481	438	1,255	816
Net income	<u>\$ 7,308</u>	<u>\$ 7,399</u>	<u>\$ 7,060</u>	<u>\$ 8,787</u>	<u>\$ 6,770</u>	<u>\$ 2,848</u>	<u>\$ 5,438</u>	<u>\$ 4,166</u>
Net income attributable to common shares	<u>\$ 7,256</u>	<u>\$ 7,336</u>	<u>\$ 6,999</u>	<u>\$ 8,722</u>	<u>\$ 6,727</u>	<u>\$ 2,830</u>	<u>\$ 5,405</u>	<u>\$ 4,146</u>
Basic earnings per common share	<u>\$ 0.46</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 0.55</u>	<u>\$ 0.43</u>	<u>\$ 0.18</u>	<u>\$ 0.39</u>	<u>\$ 0.30</u>
Diluted earnings per common share	<u>\$ 0.46</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>	<u>\$ 0.55</u>	<u>\$ 0.43</u>	<u>\$ 0.18</u>	<u>\$ 0.39</u>	<u>\$ 0.30</u>

**QUARTERLY CONDENSED, CONSOLIDATED
BALANCE SHEET INFORMATION
(In Thousands) (Unaudited)**

	As of: Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020
ASSETS								
Cash & Due from Banks	\$ 104,948	\$ 198,995	\$ 208,860	\$ 207,145	\$ 101,857	\$ 174,478	\$ 77,642	\$ 32,678
Available-for-Sale Debt Securities	517,679	437,857	391,881	366,376	349,332	340,545	332,188	342,416
Loans, Net	1,551,312	1,563,008	1,585,481	1,602,926	1,632,824	1,680,617	1,230,387	1,156,143
Bank-Owned Life Insurance	30,670	30,530	30,391	30,247	30,096	29,942	18,843	18,745
Bank Premises and Equipment, Net	20,683	20,526	20,620	20,740	21,526	21,504	18,332	18,023
Intangible Assets	55,821	55,955	56,088	56,222	56,356	56,585	29,511	29,573
Other Assets	46,535	48,025	45,742	49,939	47,109	49,122	38,563	31,867
TOTAL ASSETS	\$ 2,327,648	\$ 2,354,896	\$ 2,339,063	\$ 2,333,595	\$ 2,239,100	\$ 2,352,793	\$ 1,745,466	\$ 1,629,445
LIABILITIES								
Deposits	\$ 1,925,060	\$ 1,940,141	\$ 1,916,809	\$ 1,923,925	\$ 1,820,469	\$ 1,871,514	\$ 1,381,178	\$ 1,249,912
Borrowed Funds - Federal Home Loan Bank and Repurchase Agreements	29,845	40,555	46,450	60,230	74,630	143,657	87,308	110,551
Senior Notes, Net	14,701	14,685	14,670	0	0	0	0	0
Subordinated Debt, Net	33,009	32,988	32,967	16,534	16,553	16,572	6,500	6,500
Other Liabilities	23,628	27,125	24,034	32,850	27,692	24,734	14,689	11,254
TOTAL LIABILITIES	2,026,243	2,055,494	2,034,930	2,033,539	1,939,344	2,056,477	1,489,675	1,378,217
STOCKHOLDERS' EQUITY								
Common Stockholders' Equity, Excluding Accumulated Other Comprehensive Income:	296,379	292,997	294,857	293,097	287,961	284,707	244,080	241,754
Accumulated Other Comprehensive Income:								
Net Unrealized Gains on Available-for-sale Securities	4,809	6,300	9,167	6,847	11,676	11,376	11,472	9,230
Defined Benefit Plans	217	105	109	112	119	233	239	244
TOTAL STOCKHOLDERS' EQUITY	301,405	299,402	304,133	300,056	299,756	296,316	255,791	251,228
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 2,327,648	\$ 2,354,896	\$ 2,339,063	\$ 2,333,595	\$ 2,239,100	\$ 2,352,793	\$ 1,745,466	\$ 1,629,445

AVAILABLE-FOR-SALE DEBT SECURITIES
(In Thousands)

	December 31, 2021		September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of the U.S. Treasury	\$ 25,058	\$ 24,912	\$ 25,088	\$ 25,068	\$ 12,184	\$ 12,182
Obligations of U.S. Government agencies	23,936	24,091	23,935	24,312	25,349	26,344
Bank holding company debt securities	18,000	17,987	0	0	0	0
Obligations of states and political subdivisions:						
Tax-exempt	143,427	148,028	135,362	139,244	116,427	122,401
Taxable	72,182	72,765	69,426	70,493	45,230	47,452
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:						
Residential pass-through securities	98,048	98,181	59,920	60,629	36,853	38,176
Residential collateralized mortgage obligations	44,015	44,247	43,811	44,593	56,048	57,467
Commercial mortgage-backed securities	86,926	87,468	72,341	73,518	42,461	45,310
Total Available-for-Sale Debt Securities	\$ 511,592	\$ 517,679	\$ 429,883	\$ 437,857	\$ 334,552	\$ 349,332

SUMMARY OF LOANS BY TYPE
(Excludes Loans Held for Sale)
(In Thousands)

	December 31, 2021	September 30, 2021	December 31, 2020
Commercial:			
Commercial loans secured by real estate	\$ 569,840	\$ 553,389	\$ 531,810
Commercial and industrial	159,073	152,244	159,577
Paycheck Protection Program - 1st Draw	1,356	5,747	132,269
Paycheck Protection Program - 2nd Draw	25,508	56,981	0
Political subdivisions	81,301	73,503	53,221
Commercial construction and land	60,579	53,267	42,874
Loans secured by farmland	11,121	10,812	11,736
Multi-family (5 or more) residential	50,089	52,962	55,811
Agricultural loans	2,351	3,092	3,164
Other commercial loans	17,153	17,312	17,289
Total commercial	978,371	979,309	1,007,751
Residential mortgage:			
Residential mortgage loans - first liens	483,629	494,376	532,947
Residential mortgage loans - junior liens	23,314	24,303	27,311
Home equity lines of credit	39,252	38,465	39,301
1-4 Family residential construction	23,151	21,719	20,613
Total residential mortgage	569,346	578,863	620,172
Consumer	17,132	17,536	16,286
Total	1,564,849	1,575,708	1,644,209
Less: allowance for loan losses	(13,537)	(12,700)	(11,385)
Loans, net	\$ 1,551,312	\$ 1,563,008	\$ 1,632,824

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended December 31, 2021	3 Months Ended September 30, 2021	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance, beginning of period	\$ 12,700	\$ 12,375	\$ 11,385	\$ 9,836
Charge-offs	(297)	(1,220)	(1,575)	(2,465)
Recoveries	6	15	66	101
Net charge-offs	(291)	(1,205)	(1,509)	(2,364)
Provision for loan losses	1,128	1,530	3,661	3,913
Balance, end of period	<u>\$ 13,537</u>	<u>\$ 12,700</u>	<u>\$ 13,537</u>	<u>\$ 11,385</u>

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

	December 31, 2021	September 30, 2021	December 31, 2020
Impaired loans with a valuation allowance	\$ 6,540	\$ 7,225	\$ 8,082
Impaired loans without a valuation allowance	2,636	4,165	2,895
Purchased credit impaired loans	6,558	6,624	6,841
Total impaired loans	<u>\$ 15,734</u>	<u>\$ 18,014</u>	<u>\$ 17,818</u>
Total loans past due 30-89 days and still accruing	<u>\$ 5,106</u>	<u>\$ 2,139</u>	<u>\$ 5,918</u>
Nonperforming assets:			
Purchased credit impaired loans	\$ 6,558	\$ 6,624	\$ 6,841
Other nonaccrual loans	12,441	14,717	14,575
Total nonaccrual loans	18,999	21,341	21,416
Total loans past due 90 days or more and still accruing	2,219	1,924	1,975
Total nonperforming loans	21,218	23,265	23,391
Foreclosed assets held for sale (real estate)	684	1,374	1,338
Total nonperforming assets	<u>\$ 21,902</u>	<u>\$ 24,639</u>	<u>\$ 24,729</u>
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$ 288	\$ 232	\$ 166
Nonperforming	5,517	5,591	7,285
Total TDRs	<u>\$ 5,805</u>	<u>\$ 5,823</u>	<u>\$ 7,451</u>
Total nonperforming loans as a % of total loans	1.36 %	1.48 %	1.42 %
Total nonperforming assets as a % of assets	0.94 %	1.05 %	1.10 %
Allowance for loan losses as a % of total loans	0.87 %	0.81 %	0.69 %
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (a)	1.08 %	1.05 %	1.05 %
Allowance for loan losses as a % of nonperforming loans	63.80 %	54.59 %	48.67 %
(a) Credit adjustment on purchased non-impaired loans at end of period	\$ 3,335	\$ 3,836	\$ 5,979
Allowance for loan losses	13,537	12,700	11,385
Total credit adjustment on purchased non-impaired loans at end of period and allowance for loan losses (1)	<u>\$ 16,872</u>	<u>\$ 16,536</u>	<u>\$ 17,364</u>
Total loans receivable	\$ 1,564,849	\$ 1,575,708	\$ 1,644,209
Credit adjustment on purchased non-impaired loans at end of period	3,335	3,836	5,979
Total (2)	<u>\$ 1,568,184</u>	<u>\$ 1,579,544</u>	<u>\$ 1,650,188</u>
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (1)/(2)	<u>1.08 %</u>	<u>1.05 %</u>	<u>1.05 %</u>

ADJUSTMENTS TO GROSS AMORTIZED COST OF LOANS

(In Thousands)

	Three Months Ended			Year Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Market Rate Adjustment					
Adjustments to gross amortized cost of loans at beginning of period	\$ (373)	\$ (5)	\$ 1,354	\$ 718	\$ (1,415)
Market rate adjustment recorded in acquisition	0	0	0	0	2,909
Amortization recognized in interest income	(264)	(368)	(636)	(1,355)	(776)
Adjustments to gross amortized cost of loans at end of period	<u>\$ (637)</u>	<u>\$ (373)</u>	<u>\$ 718</u>	<u>\$ (637)</u>	<u>\$ 718</u>
Credit Adjustment on Non-impaired Loans					
Adjustments to gross amortized cost of loans at beginning of period	\$ (3,836)	\$ (4,502)	\$ (7,127)	\$ (5,979)	\$ (1,216)
Credit adjustment recorded in acquisition	0	0	0	0	(7,219)
Accretion recognized in interest income	501	666	1,148	2,644	2,456
Adjustments to gross amortized cost of loans at end of period	<u>\$ (3,335)</u>	<u>\$ (3,836)</u>	<u>\$ (5,979)</u>	<u>\$ (3,335)</u>	<u>\$ (5,979)</u>

PURCHASED CREDIT IMPAIRED (PCI) LOANS

(In Thousands)

	December 31, 2021	September 30, 2021	December 31, 2020
Outstanding balance	\$ 9,802	\$ 10,064	\$ 10,316
Carrying amount	6,558	6,624	6,841

COMPARISON OF INTEREST INCOME AND EXPENSE
(In Thousands)

	Three Months Ended			Year Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
INTEREST INCOME					
Interest-bearing due from banks	\$ 88	\$ 106	\$ 60	\$ 318	\$ 251
Available-for-sale debt securities:					
Taxable	1,510	1,304	1,083	5,114	5,534
Tax-exempt	890	842	795	3,357	2,669
Total available-for-sale debt securities	2,400	2,146	1,878	8,471	8,203
Loans receivable:					
Taxable	16,810	16,890	18,144	68,019	64,460
Paycheck Protection Program - 1st Draw	187	618	1,495	3,476	2,924
Paycheck Protection Program - 2nd Draw	1,457	1,021	0	3,054	0
Tax-exempt	593	568	529	2,232	2,222
Total loans receivable	19,047	19,097	20,168	76,781	69,606
Other earning assets	13	16	19	66	80
Total Interest Income	21,548	21,365	22,125	85,636	78,140
INTEREST EXPENSE					
Interest-bearing deposits:					
Interest checking	211	230	232	897	948
Money market	261	269	309	1,156	1,172
Savings	61	58	55	231	230
Time deposits	447	506	909	2,254	4,881
Total interest-bearing deposits	980	1,063	1,505	4,538	7,231
Borrowed funds:					
Short-term	1	0	32	23	367
Long-term - FHLB advances	69	87	321	399	1,291
Senior notes, net	118	118	0	293	0
Subordinated debt, net	362	346	246	1,309	706
Total borrowed funds	550	551	599	2,024	2,364
Total Interest Expense	1,530	1,614	2,104	6,562	9,595
Net Interest Income	\$ 20,018	\$ 19,751	\$ 20,021	\$ 79,074	\$ 68,545

Note: Interest income from tax-exempt securities and loans has been adjusted to a fully tax-equivalent basis, using the Corporation's marginal federal income tax rate of 21%.

ANALYSIS OF AVERAGE DAILY BALANCES AND RATES
(Dollars in Thousands)

	3 Months Ended 12/31/2021 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2021 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2020 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Interest-bearing due from banks	\$ 152,950	0.23 %	\$ 195,359	0.22 %	\$ 116,475	0.20 %
Available-for-sale debt securities, at amortized cost:						
Taxable	325,682	1.84 %	263,682	1.96 %	217,321	1.98 %
Tax-exempt	140,776	2.51 %	127,466	2.62 %	113,888	2.78 %
Total available-for-sale debt securities	<u>466,458</u>	<u>2.04 %</u>	<u>391,148</u>	<u>2.18 %</u>	<u>331,209</u>	<u>2.26 %</u>
Loans receivable:						
Taxable	1,431,174	4.66 %	1,426,503	4.70 %	1,454,733	4.96 %
Paycheck Protection Program - 1st Draw	2,702	27.46 %	19,625	12.49 %	152,504	3.90 %
Paycheck Protection Program - 2nd Draw	37,320	15.49 %	68,108	5.95 %	0	0.00 %
Tax-exempt	83,197	2.83 %	77,621	2.90 %	62,309	3.38 %
Total loans receivable	<u>1,554,393</u>	<u>4.86 %</u>	<u>1,591,857</u>	<u>4.76 %</u>	<u>1,669,546</u>	<u>4.81 %</u>
Other earning assets	<u>1,953</u>	<u>2.64 %</u>	<u>2,355</u>	<u>2.70 %</u>	<u>2,390</u>	<u>3.16 %</u>
Total Earning Assets	2,175,754	3.93 %	2,180,719	3.89 %	2,119,620	4.15 %
Cash	22,850		24,436		31,312	
Unrealized gain on securities	7,249		12,411		13,875	
Allowance for loan losses	(12,980)		(12,688)		(11,107)	
Bank-owned life insurance	30,587		30,445		30,002	
Bank premises and equipment	20,678		20,620		21,539	
Intangible assets	55,887		56,021		56,863	
Other assets	45,035		43,947		45,491	
Total Assets	<u>\$ 2,345,060</u>		<u>\$ 2,355,911</u>		<u>\$ 2,307,595</u>	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$ 428,154	0.20 %	\$ 423,371	0.22 %	\$ 371,425	0.25 %
Money market	446,930	0.23 %	446,385	0.24 %	389,993	0.32 %
Savings	241,352	0.10 %	231,093	0.10 %	202,679	0.11 %
Time deposits	292,973	0.61 %	312,979	0.64 %	416,281	0.87 %
Total interest-bearing deposits	<u>1,409,409</u>	<u>0.28 %</u>	<u>1,413,828</u>	<u>0.30 %</u>	<u>1,380,378</u>	<u>0.43 %</u>
Borrowed funds:						
Short-term	2,177	0.18 %	2,185	0.00 %	27,422	0.46 %
Long-term - FHLB advances	35,608	0.77 %	41,083	0.84 %	93,835	1.36 %
Senior notes, net	14,690	3.19 %	14,674	3.19 %	0	0.00 %
Subordinated debt, net	32,918	4.36 %	32,978	4.16 %	16,562	5.91 %
Total borrowed funds	<u>85,393</u>	<u>2.56 %</u>	<u>90,920</u>	<u>2.40 %</u>	<u>137,819</u>	<u>1.73 %</u>
Total Interest-bearing Liabilities	1,494,802	0.41 %	1,504,748	0.43 %	1,518,197	0.55 %
Demand deposits	523,817		522,930		465,252	
Other liabilities	25,951		25,386		26,746	
Total Liabilities	<u>2,044,570</u>		<u>2,053,064</u>		<u>2,010,195</u>	
Stockholders' equity, excluding accumulated other comprehensive income	294,659		292,936		286,209	
Accumulated other comprehensive income	5,831		9,911		11,191	
Total Stockholders' Equity	<u>300,490</u>		<u>302,847</u>		<u>297,400</u>	
Total Liabilities and Stockholders' Equity	<u>\$ 2,345,060</u>		<u>\$ 2,355,911</u>		<u>\$ 2,307,595</u>	
Interest Rate Spread		3.52 %		3.46 %		3.60 %
Net Interest Income/Earning Assets		3.65 %		3.59 %		3.76 %
Total Deposits (Interest-bearing and Demand)	\$ 1,933,226		\$ 1,936,758		\$ 1,845,630	

- (1) Annualized rates of return on tax-exempt securities and loans are presented on a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%.
- (2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.
- (3) Rates of return on earning assets and costs of funds have been presented on an annualized basis.

ANALYSIS OF AVERAGE DAILY BALANCES AND RATES
(Dollars in Thousands)

	Year Ended 12/31/2021 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2020 Average Balance	Rate of Return/ Cost of Funds%
EARNING ASSETS				
Interest-bearing due from banks	\$ 156,152	0.20 %	\$ 80,587	0.31 %
Available-for-sale debt securities, at amortized cost:				
Taxable	262,880	1.95 %	238,407	2.32 %
Tax-exempt	127,283	2.64 %	90,038	2.96 %
Total available-for-sale debt securities	390,163	2.17 %	328,445	2.50 %
Loans receivable:				
Taxable	1,426,150	4.77 %	1,285,383	5.01 %
Paycheck Protection Program - 1st Draw	44,735	7.77 %	98,466	2.97 %
Paycheck Protection Program - 2nd Draw	52,917	5.77 %	0	0.00 %
Tax-exempt	72,954	3.06 %	61,249	3.63 %
Total loans receivable	1,596,756	4.81 %	1,445,098	4.82 %
Other earning assets	2,404	2.75 %	2,357	3.39 %
Total Earning Assets	2,145,475	3.99 %	1,856,487	4.21 %
Cash	24,132		25,439	
Unrealized gain on securities	10,676		12,487	
Allowance for loan losses	(12,354)		(11,018)	
Bank-owned life insurance	30,373		24,415	
Bank premises and equipment	20,814		19,826	
Intangible assets	56,086		43,330	
Other assets	44,032		38,859	
Total Assets	<u>\$ 2,319,234</u>		<u>\$ 2,009,825</u>	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$ 399,130	0.22 %	\$ 310,782	0.31 %
Money market	433,508	0.27 %	298,736	0.39 %
Savings	228,411	0.10 %	189,316	0.12 %
Time deposits	327,816	0.69 %	397,974	1.23 %
Total interest-bearing deposits	1,388,865	0.33 %	1,196,808	0.60 %
Borrowed funds:				
Short-term	6,269	0.37 %	34,212	1.07 %
Long-term - FHLB advances	44,026	0.91 %	83,500	1.55 %
Senior notes, net	9,129	3.21 %	0	0.00 %
Subordinated debt, net	27,399	4.78 %	11,553	6.11 %
Total borrowed funds	86,823	2.33 %	129,265	1.83 %
Total Interest-bearing Liabilities	1,475,688	0.44 %	1,326,073	0.72 %
Demand deposits	516,535		389,601	
Other liabilities	25,785		20,800	
Total Liabilities	<u>2,018,008</u>		<u>1,736,474</u>	
Stockholders' equity, excluding accumulated other comprehensive income	292,683		263,253	
Accumulated other comprehensive income	8,543		10,098	
Total Stockholders' Equity	<u>301,226</u>		<u>273,351</u>	
Total Liabilities and Stockholders' Equity	<u>\$ 2,319,234</u>		<u>\$ 2,009,825</u>	
Interest Rate Spread		3.55 %		3.49 %
Net Interest Income/Earning Assets		3.69 %		3.69 %
Total Deposits (Interest-bearing and Demand)	\$ 1,905,400		\$ 1,586,409	

- (1) Annualized rates of return on tax-exempt securities and loans are presented on a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%.
- (2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.
- (3) Rates of return on earning assets and costs of funds have been presented on an annualized basis.

COMPARISON OF NONINTEREST INCOME
(In Thousands)

	Three Months Ended			Year Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Trust revenue	\$ 1,980	\$ 1,821	\$ 1,682	\$ 7,234	\$ 6,321
Brokerage and insurance revenue	468	560	365	1,860	1,486
Service charges on deposit accounts	1,296	1,249	1,105	4,633	4,231
Interchange revenue from debit card transactions	1,001	975	817	3,855	3,094
Net gains from sales of loans	642	797	1,472	3,428	5,403
Loan servicing fees, net	147	153	198	694	(61)
Increase in cash surrender value of life insurance	139	139	154	573	515
Other noninterest income	743	665	772	3,580	3,355
Total noninterest income, excluding realized gains on securities, net	\$ 6,416	\$ 6,359	\$ 6,565	\$ 25,857	\$ 24,344

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Year Ended	
	December 31, 2021	September 30, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Salaries and employee benefits	\$ 9,782	\$ 9,427	\$ 9,998	\$ 37,603	\$ 33,062
Net occupancy and equipment expense	1,244	1,217	1,194	4,984	4,461
Data processing and telecommunications expenses	1,561	1,475	1,357	5,903	5,316
Automated teller machine and interchange expense	384	357	319	1,433	1,231
Pennsylvania shares tax	488	482	422	1,951	1,689
Professional fees	560	538	427	2,243	1,692
Other noninterest expense	1,999	1,850	2,058	8,355	8,158
Total noninterest expense, excluding merger-related expenses and loss on prepayment of borrowings	16,018	15,346	15,775	62,472	55,609
Merger-related expenses	0	0	182	0	7,708
Loss on prepayment of borrowings	0	0	1,636	0	1,636
Total noninterest expense	\$ 16,018	\$ 15,346	\$ 17,593	\$ 62,472	\$ 64,953