



January 16, 2020

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**C&N DECLARES DIVIDEND AND ANNOUNCES FOURTH QUARTER 2019 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, 2019.

Dividend Declared

C&N’s Board of Directors declared a regular quarterly cash dividend of \$0.27 per share. The dividend is payable on February 7, 2020 to shareholders of record as of January 27, 2020. Declaration of the dividend was made at the January 16, 2020 meeting of C&N’s Board of Directors.

Acquisitions of Monument Bancorp, Inc. and Covenant Financial, Inc.

C&N’s acquisition of Monument Bancorp, Inc. (“Monument”) was completed April 1, 2019. Monument was the parent company of Monument Bank, a commercial bank which operated two community bank offices and one lending office in Bucks County, Pennsylvania. Total purchase consideration was \$42.7 million, including 1,279,825 shares of C&N common stock issued with a value of \$33.1 million and cash paid totaling \$9.6 million. Holders of Monument common stock prior to the consummation of the merger held approximately 9.4% of C&N’s common stock outstanding immediately following the merger.

In connection with the transaction, C&N recorded goodwill of \$16.4 million and a core deposit intangible asset of \$1.5 million. Total loans acquired on April 1, 2019 were valued at \$259.3 million, while total deposits assumed were valued at \$223.3 million, borrowings were valued at \$111.6 million and subordinated debt was valued at \$12.4 million. The subordinated debt included an instrument with a fair value of \$5.4 million that was redeemed on April 1, 2019 with no realized gain or loss. C&N acquired available-for-sale debt securities valued at \$94.6 million and sold the securities in early April for approximately no realized gain or loss. The assets purchased and liabilities assumed in the merger were recorded at their estimated fair values at the time of closing and may be adjusted for up to one year subsequent to the acquisition. In the fourth quarter 2019, C&N recorded adjustments to various assets acquired and liabilities assumed from the merger, resulting in a net reduction in goodwill of \$230,000.

Merger-related expenses associated with the Monument transaction totaled \$3.8 million for the year ended December 31, 2019, including costs associated with termination of data processing contracts, conversion of Monument’s customer accounting data into C&N’s core system, severance and similar expenses, legal and other professional fees and various other costs.

In December 2019, C&N announced a plan of merger to acquire Covenant Financial, Inc. (“Covenant”) in a transaction valued on December 18, 2019 at approximately \$77 million. Under the terms of the definitive agreement, C&N will pay cash for 25% of the Covenant shares and will convert 75% of Covenant shares to C&N common stock. Covenant is the holding company for Covenant Bank, which operates banking offices in Bucks and Chester Counties of PA. Covenant had total assets of \$512 million at September 30, 2019. The merger is subject to satisfaction of customary

closing conditions, including receipt of regulatory approvals and approval of Covenant's shareholders. The merger is expected to close in the third quarter 2020. In the fourth quarter 2019, C&N incurred merger-related expenses totaling \$287,000 related to the planned acquisition of Covenant. Management estimates pre-tax merger-related expenses associated with the Covenant acquisition will total approximately \$8 million (\$6.6 million, net of tax), with most of the expenses expected to be incurred in the third quarter 2020.

Unaudited Financial Information

Net income was \$0.40 per diluted share in the fourth quarter 2019 as compared to \$0.39 in the third quarter 2019 and \$0.46 in the fourth quarter 2018. For the year ended December 31, 2019, net income per diluted share was \$1.46 as compared to \$1.79 per share in 2018. Earnings for the year ended December 31, 2019 were significantly impacted by the Monument acquisition, including the effects of merger-related expenses described earlier. Further, interest income on loans acquired from Monument, partially offset by interest expense on deposits, borrowings and subordinated debt assumed, contributed to growth in C&N's net interest income, while costs associated with the expansion contributed to an increase in noninterest expenses.

Earnings for the year ended December 31, 2018 included the benefit of a realized gain on a restricted equity security (Visa Inc. Class B stock) partially offset by the impact of a loss on available-for-sale debt securities. In 2018, pre-tax realized gains on Visa Class B stock totaled \$2.3 million while pre-tax realized losses on available-for-sale securities totaled \$288,000.

The following table provides a reconciliation of C&N's fourth quarter and annual 2019 unaudited earnings results under U.S. generally accepted accounting principles (U.S. GAAP) to comparative non-U.S. GAAP results excluding merger-related expenses and realized gains and losses on securities. Management believes disclosure of unaudited fourth quarter and annual 2019 and 2018 earnings results, adjusted to exclude the impact of these items, provides useful information to investors for comparative purposes.

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

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

	4th Quarter 2019				4th Quarter 2018			
	Income Before Income Tax Provision	Income Tax Provision (1)	Net Income	Diluted Earnings per Common Share	Income Before Income Tax Provision	Income Tax Provision (1)	Net Income	Diluted Earnings per Common Share
Results as Presented Under U.S. GAAP	\$6,593	\$1,135	\$5,458	\$0.40	\$6,702	\$1,021	\$5,681	\$0.46
Add: Merger-Related Expenses	281	31	250		128	17	111	
Net (Gains) Losses on Available-for-Sale Debt Securities	(3)	(1)	(2)		4	1	3	
Adjusted Earnings, Excluding Effect of Merger-Related Expenses, Gain on Restricted Equity Security and Net Gains and Losses on Available-for-Sale Debt Securities (Non-U.S. GAAP)	\$6,871	\$1,165	\$5,706	\$0.42	\$6,834	\$1,039	\$5,795	\$0.47

	Year Ended Dec. 31, 2019				Year Ended Dec. 31, 2018			
	Income			Diluted	Income			Diluted
	Before	Income		Earnings	Before	Income		Earnings
	Income	Tax	Net	per	Income	Tax	Net	per
	Tax	Provision	Income	Common	Income	Tax	Income	Common
	Provision	(1)	Income	Share	Provision	(1)	Income	Share
Results as Presented Under U.S. GAAP	\$23,409	\$3,905	\$19,504	\$1.46	\$26,263	\$4,250	\$22,013	\$1.79
Add: Merger-Related Expenses	4,099	829	3,270		328	23	305	
Less: Gain on Restricted Equity Security					(2,321)	(487)	(1,834)	
Net (Gains) Losses on Available-for-sale Debt Securities								
Securities	(23)	(5)	(18)		288	60	228	
Adjusted Earnings, Excluding Effect of Merger-Related Expenses, Gain on Restricted Equity Security and Net Gains and Losses on Available-for-Sale Debt Securities (Non-U.S. GAAP)	\$27,485	\$4,729	\$22,756	\$1.70	\$24,558	\$3,846	\$20,712	\$1.68

(1) Income tax has been allocated based on an income tax rate of 21%. The tax benefit associated with merger-related expenses has been adjusted to reflect the estimated nondeductible portion of the expenses.

Additional highlights related to C&N's fourth quarter and annual 2019 unaudited earnings results as compared to the third quarter 2019 and comparative periods of 2018 are presented below.

Fourth Quarter 2019 as Compared to Third Quarter 2019

Net income was \$5,458,000 in the fourth quarter 2019 as compared to \$5,307,000 in the third quarter 2019. Excluding the impact of merger-related expenses and net securities gains, adjusted (non-U.S. GAAP) earnings for the fourth quarter 2019 were \$5,706,000, up from similarly adjusted (non-U.S. GAAP) third quarter 2019 earnings of \$5,444,000. Other significant variances were as follows:

- Net interest income increased \$14,000 (0.1%) in the fourth quarter 2019 over the total for the third quarter 2019. Average outstanding loans increased \$36.0 million (3.2% or 12.8% annualized), mainly as a result of growth in commercial loans from C&N's new markets in Southeastern PA and York County. Average total deposits decreased \$18.6 million, reflecting a seasonal reduction in municipal deposits. In the fourth quarter 2019, additional funding to support loan growth came from an increase in average total borrowed funds of \$36.5 million and a \$9.0 million decrease in average interest-bearing deposits in other banks. The net interest margin was 3.75% for the fourth quarter 2019, down from 3.81% in the third quarter 2019. The average yield on earning assets decreased 0.07% while the average rate paid on interest-bearing liabilities decreased 0.02%.
- The provision for loan losses was \$652,000 in the fourth quarter 2019, down from \$1,158,000 in the third quarter 2019. The provision for the third quarter 2019 included recognition of a specific allowance of \$678,000 related to a commercial loan with a balance of \$1,261,000 at December 31, 2019 and September 30, 2019.
- Noninterest income totaled \$5,066,000 in the fourth quarter 2019, an increase of \$103,000 over the third quarter 2019 amount. Total trust and brokerage revenues of \$1,949,000 were up \$137,000 from the third quarter 2019, reflecting higher estate fees received, appreciation in the value of assets under management and the benefit of new business generated in recent periods.
- Noninterest expense, excluding merger-related expenses, totaled \$11,834,000 in the fourth quarter 2019, an increase of \$348,000 over the third quarter 2019 amount. Significant variances included the following:

- Other noninterest expense increased \$201,000. Other expenses in the fourth quarter 2019 included a catch-up adjustment of \$100,000 related to incentive-based payments to a consultant. Also, the comparative total of expenses for the third quarter 2019 included a net reduction of \$91,000 from adjustments of various accruals from previous periods.
- Pensions and other employee benefits expense increased \$96,000 in the fourth quarter 2019. Health insurance expense increased \$93,000, reflecting an increase in claims on C&N's partially self-insured health plan.

Fourth Quarter 2019 as Compared to Fourth Quarter 2018

As described above, fourth quarter 2019 net income was \$5,458,000, and excluding the impact of merger-related expenses and net securities gains, would be \$5,706,000 (non-U.S. GAAP). In comparison, fourth quarter 2018 net income was \$5,681,000, and excluding the impact of merger-related expenses and net securities gains, would be \$5,795,000 (non-GAAP). Other significant variances were as follows:

- Fourth quarter 2019 net interest income of \$14,291,000 was \$2,299,000 (19.2%) higher than the total for the fourth quarter 2018. Total average earning assets increased \$317.8 million, including an increase in average loans outstanding of \$339.9 million, reflecting the impact of the Monument acquisition and additional loan growth. Total average deposits increased \$234.1 million, including deposits assumed from Monument. The net interest margin of 3.75% for the fourth quarter 2019 was 0.26% lower than the fourth quarter 2018 margin of 4.01%. The average yield on earning assets was 0.09% higher in the fourth quarter 2019 as compared to the same period in 2018, while the average rate paid on interest-bearing liabilities increased 0.46% between periods. The increase in average rate on interest-bearing liabilities resulted primarily from comparatively higher rates on time deposits and short-term borrowings assumed from Monument. Accretion and amortization of purchase accounting-related adjustments from marking financial instruments to fair value had a positive effect on net interest income in the fourth quarter 2019 of \$153,000, including an increase in income on loans of \$311,000 partially offset by increases in interest expense on time deposits of \$132,000 and on short-term borrowings of \$26,000. The net positive impact to the fourth quarter 2019 net interest margin from accretion and amortization of purchase accounting adjustments was 0.04%.
- The provision for loan losses was \$652,000 for the fourth quarter 2019, an increase of \$400,000 over the fourth quarter 2018. The increase in the provision reflected an increase in the allowance due to significant loan growth. The fourth quarter 2019 provision included a charge of \$138,000 related to specific loans (increase in specific allowances on loans of \$65,000 and net charge-offs of \$73,000), a net \$425,000 charge attributable to loan growth and a charge of \$89,000 related to changes in historical loss and qualitative factors used to estimate the allowance. In comparison, the provision in the fourth quarter 2018 included \$304,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, a charge of \$48,000 due to loan growth and a net reduction in expense of \$100,000 related to decreases in historical loss and qualitative factors.
- Total noninterest income for the fourth quarter 2019 was up \$26,000 from the fourth quarter 2018 total. Total trust and brokerage revenue increased \$186,000 and net gains from sales of residential mortgage loans increased \$138,000. Other noninterest income decreased \$375,000, as C&N recognized income of \$438,000 in the fourth quarter 2018 from a life insurance arrangement in which benefits were split between C&N and the heirs of a former employee.
- Noninterest expense, excluding merger-related expenses, increased \$1,888,000 in the fourth quarter 2019 over the fourth quarter 2018 amount. Significant variances included the following:
 - Salaries and wages expense increased \$784,000. Salaries and wages from C&N's new ventures in Southeastern PA and York County totaled \$854,000 in the fourth quarter 2019.

- Pensions and other employee benefits expense increased \$333,000, reflecting an increase in number of personnel resulting mainly from new ventures.
- Other noninterest expense increased \$339,000. Advertising expenses related to rebranding efforts and other activities were \$122,000 higher in the fourth quarter 2019 compared to fourth quarter 2018. Other increases included the \$100,000 charge referred to above related to incentive-based consulting fees and an increase of \$73,000 in amortization of core deposit intangibles related to the Monument acquisition.
- Professional fees expenses increased \$158,000, including outsourced technical support for the computer network and other computer system-related consulting fees.

Year Ended December 31, 2019 as Compared to 2018

Net income for the year ended December 31, 2019 was \$19,504,000, or \$1.46 per diluted share as compared to 2018 net income of \$22,013,000 or \$1.79 per share. Excluding the impact of merger-related expenses and net securities gains, adjusted (non-U.S. GAAP) earnings for 2019 would be \$22,756,000 or \$1.70 per share as compared to similarly adjusted (non-GAAP) earnings of \$20,712,000 or \$1.68 per share for 2018. Other significant variances were as follows:

- Net interest income was up \$8,785,000 (19.2%) in 2019 over 2018, reflecting the benefits of growth, particularly from the Monument acquisition as well as loan growth from the York office (opened in March 2019) and organic loan and deposit growth from C&N's legacy markets. The net interest margin was 3.86% for 2019, down from 3.90% in 2018. In 2019, the net interest margin included a net positive impact from accretion and amortization of purchase accounting adjustments of 0.04%. The average yield on earning assets in 2019 was up 0.30% over 2018, while the average rate paid on interest-bearing liabilities was up 0.46% between periods. The Monument acquisition and other factors contributed to growth in average noninterest-bearing demand deposits of \$39.4 million and average stockholders' equity (excluding accumulated other comprehensive income) of \$33.8 million, which helped to offset some of the impact on the margin of compression in the interest rate spread.
- The provision for loan losses of \$849,000 for 2019 was higher than the 2018 provision by \$265,000. Similar to the fourth quarter discussion above, the higher provision in 2019 resulted mainly from significant loan growth. The annual 2019 provision included a net reduction in expense of \$232,000 related to specific loans (net decrease in specific allowances on loans of \$554,000 and net charge-offs of \$322,000), a net \$1,193,000 charge attributable to loan growth and a net reduction in expense of \$112,000 related to changes in historical loss and qualitative factors and the unallocated portion of the allowance. In comparison, the annual 2018 provision included \$457,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, a charge of \$178,000 due to loan growth and a net reduction in expense of \$51,000 related to decreases in historical loss and qualitative factors.
- Noninterest income increased \$687,000, or 3.7%, in 2019 over 2018. Total trust and brokerage revenue increased \$516,000 as trust revenue reflected growth in assets under management from market value appreciation as well as new business and brokerage revenue increased as a result of an increase in volume. Increases in volume also led to increases in net gains from sales of mortgage loans of \$242,000, interchange revenue from debit card transactions of \$208,000 and service charges on deposit accounts of \$187,000. Other noninterest income decreased \$278,000, as the total for 2018 included the impact of the life insurance transaction described above. Loan servicing fees, net, decreased \$247,000, as the fair value of servicing rights decreased \$331,000 in 2019 as compared to a decrease of \$83,000 in 2018. The reduction in valuation of servicing fees at December 31, 2019 reflected the impact of higher assumed mortgage prepayments from lower interest rates.
- Noninterest expense, excluding merger-related expenses, increased \$6,280,000 in 2019 over 2018. Significant variances included the following:

- Salaries and wages expense increased \$3,453,000, including \$2,707,000 related to C&N's new ventures in Southeastern PA and York County.
- Pensions and other employee benefits increased \$578,000, mainly due to the increased number of employees resulting from expansion into new markets.
- Other noninterest expense increased \$1,454,000. Within other noninterest expense, expenses and net losses on other real estate properties increased \$385,000, mainly due to significant costs incurred related to one commercial workout situation. Other increases within this category included increases in advertising expense of \$327,000, loan collection expenses of \$264,000, amortization of core deposit intangibles of \$218,000, consulting related to the overdraft privilege program of \$145,000 (including the \$100,000 catch-up adjustment in the fourth quarter 2019 referred to above) and credit card operating costs of \$111,000. Also, within other noninterest expense, donations expense decreased \$249,000 reflecting a 2018 donation of real estate that resulted in expense of \$250,000 with no similar item in 2019.
- Data processing expenses increased \$653,000, including significant increases in software licensing costs associated with lending, Trust and other functions. Other expense increases within this category included consulting expenses related to renegotiation of an interchange processing contract, costs related to product development efforts in connection with a fintech organization and costs from operating two core processing systems for most of the second quarter 2019.
- Automated teller machine and interchange expense decreased \$201,000, reflecting cost reductions pursuant to a renegotiated service contract.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,654,145,000 at December 31, 2019, up from \$1,642,587,000 at September 30, 2019 and up 28.1% from \$1,290,893,000 at December 31, 2018.
- Net loans outstanding (excluding mortgage loans held for sale) were \$1,172,386,000 at December 31, 2019, up from \$1,130,143,000 at September 30, 2019 and up 43.3% from \$818,254,000 at December 31, 2018. In comparing outstanding balances at December 31, 2019 and 2018, total commercial loans increased \$225.3 million (63.7%), total residential mortgage loans increased \$129.8 million (28.4%) and total consumer loans decreased \$0.4 million (2.3%). At December 31, 2019, the outstanding balance of commercial loan participations with other financial entities was \$64.6 million, up from \$58.5 million at September 30, 2019 and down from \$67.3 million at December 31, 2018.
- Total nonperforming assets as a percentage of total assets was 0.80% at December 31, 2019, down from 0.86% at September 30, 2019 and 1.37% at December 31, 2018. The reduction in this ratio as compared to the level at December 31, 2018 included the impact of acquiring non-impaired loans from Monument in the second quarter 2019 along with reduced balances of loans past due 90 days or more and nonaccrual loans from C&N's legacy portfolio. Included within nonperforming assets are loans considered impaired upon their purchase from Monument ("PCI Loans"). PCI Loans totaled \$441,000 at April 1, 2019 and December 31, 2019.
- Deposits and repo sweep accounts totaled \$1,254,588,000 at December 31, 2019, down from \$1,298,649,000 at September 30 2019 and up 20.7% from \$1,039,625,000 at December 31, 2018. The reduction in deposits in the fourth quarter 2019 was mainly related to seasonal reductions in deposits maintained by PA municipal entities.
- Total shareholders' equity was \$244,452,000 at December 31, 2019, up from \$242,939,000 at September 30, 2019 and \$197,368,000 at December 31, 2018. Within shareholders' equity, the portion of accumulated other comprehensive income (loss) related to available-for-sale debt securities was \$3,511,000 at December 31, 2019 as compared to up from \$4,173,000 at September 30, 2019 and (\$4,307,000) at December 31, 2018. Fluctuations in

accumulated other comprehensive income (loss) related to valuations of available-for-sale debt securities have been caused by changes in interest rates.

- Citizens & Northern Bank is subject to various regulatory capital requirements. At December 31, 2019, 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.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$1,007,000,000 at December 31, 2019, up from \$959,215,000 at September 30, 2019 and up 16.8% from \$862,517,000 at December 31, 2018.

Citizens & Northern Corporation is the parent company of Citizens & Northern Bank, an independent community bank providing complete financial, investment and insurance services through 27 full service offices located in Tioga, Bradford, Sullivan, Lycoming, Potter, Cameron, McKean and Bucks counties in Pennsylvania and in Canisteo and South Hornell, New York. C&N also offers commercial, residential and consumer lending services through offices in York and Warminster in Pennsylvania and Elmira, New York. C&N can be found on the worldwide web at www.cnbankpa.com. The Company's stock is listed on the NASDAQ Capital Market under the symbol CZNC.

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: 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; 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.



December 31, 2019

QUARTERLY REPORT

Dear Shareholder:

On December 18, 2019, Citizens & Northern Corporation announced its agreement to acquire Covenant Financial, Inc. and its subsidiary Covenant Bank in a transaction valued at approximately \$77 million. Covenant is a \$512 million community bank headquartered in Bucks County, PA, with one community office in Doylestown and another in Chester County, PA. This action builds on C&N's 2019 acquisition of Monument Bank, also located in Bucks County, and expands our presence in attractive southeastern Pennsylvania markets. Covenant's Team has deep roots in the region and its relationship-based, community focused culture aligns well with C&N's mission and values. We are excited about the opportunities created by the combined customer base and expanded C&N Team serving the market that enhances our capacity to bring treasury management, mortgage, wealth management, and mobile and online services. This strategic investment provides scale, leverages our recent investments in people and technology, effectively deploys our strong capital base, and is expected to produce substantial earnings accretion beginning in the fourth quarter of 2020. The addition of the Covenant franchise is another significant step in positioning C&N to enhance long-term shareholder value.

The team that creates value in each of our regional markets is critical to the success of our relationship focused business model. Covenant's President and COO Blair Rush will join C&N as EVP and Region President and Chief Lending Officer Kelley Cwiklinski will continue as SVP and Regional Lending Executive. They will join Chris Nardo, Michelle Pederson, and Ben Crowley to form an expanded southeastern regional leadership team to strengthen and build upon local relationships. In addition, two members of the Covenant board will join the C&N corporate and bank boards of directors. We expect the transaction to close in the third quarter of 2020 and the combined organization is projected to have total assets of approximately \$2.3 billion. We wish to extend a warm welcome to the Covenant Team and customers.

Supporting our expansion efforts, C&N's ongoing focus remains on creating value and deepening relationships with our customers and communities. Our full set of banking, lending and wealth management products and services meet a wide set of needs for the small/family-owned businesses, professionals, and individuals that we have built the Company to serve. The broad set of solutions also provides C&N with a diverse revenue mix that complements net interest income with a variety of noninterest income sources. We continue to improve our products, develop the Team, and invest in systems to connect with customers and deliver value.

Net income for the quarter of 2019, excluding merger related items and securities gains, decreased by approximately 2% compared to the fourth quarter of 2018, while EPS decreased approximately 11%, the difference due to the additional shares issued in the Monument acquisition. Year-to-date, on the same basis, adjusted net income increased nearly 10% and adjusted EPS grew 1%.

Overall loan growth was strong during the fourth quarter mainly due to production in Southeastern PA and York, combined with solid performance in legacy markets. Deposit totals declined during the quarter as a result of seasonal fluctuations in municipal balances and a combination of short- and long-term borrowing provided funding for loan growth. This balance sheet growth produced a modest increase in net interest income during the quarter despite a modest decrease in the net interest margin.

Credit quality remains strong and most key metrics are stable or improving. Our recent growth and expansion is supported by an historically conservative credit culture and consistent policies and underwriting standards. Management maintains a robust process to assess individual credits and trends in the overall portfolio as well as adequacy of the allowance for potential losses. Loan loss provisions during the fourth quarter 2019 and year ended December 31, 2019 were higher than in the comparative periods of 2018 due to substantial growth in the loan portfolio.

Noninterest income for the quarter was at its highest level of the year. Overall wealth management revenue, which includes both trust and brokerage, was outstanding. Trust assets under management eclipsed the \$1 billion mark for the first time due to ongoing relationship management efforts and strong financial markets. Additionally, relationships connected to brokerage activity have assets totaling greater than \$300 million. Deposit service charges and interchange revenue produced solid growth, while gains from the sale of mortgage loans were steady for the quarter and increased substantially year-over-year.

Noninterest expense growth was driven by the addition of Monument, technology related costs, marketing expenses related to the re-branding effort and general increases in other operating expenses.

C&N's capital position remains strong and supports our capacity to continue growth and expansion activities, such as the Covenant acquisition. Earnings also remain positive and support the continuation of a strong cash dividend. On January 16, 2020, the Board of Directors declared a cash dividend on common stock of \$.27 per share payable on February 7, 2020, to shareholders of record on January 27, 2020. This results in an annualized dividend rate of \$1.08 and annualized yield of 3.82% based on C&N's December 31, 2019 closing price of \$28.25.

Thank you to all our loyal shareholders for your continued support and interest in C&N.



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	4TH QUARTER 2019 <u>(Current)</u>	4TH QUARTER 2018 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$17,290	\$13,304	\$3,986	29.96%
Interest Expense	2,999	1,312	1,687	128.58%
Net Interest Income	14,291	11,992	2,299	19.17%
Provision for Loan Losses	652	252	400	158.73%
Net Interest Income After Provision for Loan Losses	13,639	11,740	1,899	16.18%
Noninterest Income	5,066	5,040	26	0.52%
Gain on Restricted Equity Security	0	0	0	
Net Gains (Losses) on Available-for-sale Debt Securities	3	(4)	7	-175.00%
Merger-Related Expenses	281	128	153	119.53%
Other Noninterest Expenses	11,834	9,946	1,888	18.98%
Income Before Income Tax Provision	6,593	6,702	(109)	-1.63%
Income Tax Provision	1,135	1,021	114	11.17%
Net Income	\$5,458	\$5,681	(\$223)	-3.93%
Net Income Attributable to Common Shares (1)	\$5,431	\$5,653	(\$222)	-3.93%
PER COMMON SHARE DATA:				
Net Income - Basic	\$0.40	\$0.46	(\$0.06)	-13.04%
Net Income - Diluted	\$0.40	\$0.46	(\$0.06)	-13.04%
Dividend Per Share - Quarterly	\$0.27	\$0.27	\$0.00	0.00%
Number of Shares Used in Computation - Basic	13,642,286	12,246,900		
Number of Shares Used in Computation - Diluted	13,663,736	12,283,041		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	YEARS ENDED DECEMBER 31,			
	2019 <u>(Current)</u>	2018 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$64,771	\$50,328	\$14,443	28.70%
Interest Expense	10,283	4,625	5,658	122.34%
Net Interest Income	54,488	45,703	8,785	19.22%
Provision for Loan Losses	849	584	265	45.38%
Net Interest Income After Provision for Loan Losses	53,639	45,119	8,520	18.88%
Noninterest Income	19,284	18,597	687	3.69%
Gain on Restricted Equity Security	0	2,321	(2,321)	-100.00%
Net Gains (Losses) on Available-for-sale Debt Securities	23	(288)	311	-107.99%
Merger-Related Expenses	4,099	328	3,771	1149.70%
Other Noninterest Expenses	45,438	39,158	6,280	16.04%
Income Before Income Tax Provision	23,409	26,263	(2,854)	-10.87%
Income Tax Provision	3,905	4,250	(345)	-8.12%
Net Income	\$19,504	\$22,013	(\$2,509)	-11.40%
Net Income Attributable to Common Shares (1)	\$19,404	\$21,903	(\$2,499)	-11.41%
PER COMMON SHARE DATA:				
Net Income - Basic	\$1.46	\$1.79	(\$0.33)	-18.44%
Net Income - Diluted	\$1.46	\$1.79	(\$0.33)	-18.44%
Dividend Per Share - Quarterly	\$1.08	\$1.08	\$0.00	0.00%
Dividend Per Share - Special	\$0.10	\$0.00	\$0.10	
Number of Shares Used in Computation - Basic	13,298,736	12,219,209		
Number of Shares Used in Computation - Diluted	13,321,559	12,257,368		

(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

(In Thousands) (Unaudited)

	DEC. 31, 2019	DEC. 31, 2018	DEC. 31, 2019 vs 2018	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$35,202	\$37,487	(\$2,285)	-6.10%
Available-for-sale Debt Securities	346,723	363,273	(16,550)	-4.56%
Loans Held for Sale	767	213	554	260.09%
Loans, Net	1,172,386	818,254	354,132	43.28%
Intangible Assets	29,635	11,951	17,684	147.97%
Other Assets	69,432	59,715	9,717	16.27%
TOTAL ASSETS	\$1,654,145	\$1,290,893	\$363,252	28.14%
LIABILITIES				
Deposits	\$1,252,660	\$1,033,772	\$218,888	21.17%
Repo Sweep Accounts	1,928	5,853	(3,925)	-67.06%
Total Deposits and Repo Sweeps	1,254,588	1,039,625	214,963	20.68%
Borrowed Funds	136,419	42,915	93,504	217.88%
Subordinated Debt	6,500	0	6,500	
Other Liabilities	12,186	10,985	1,201	10.93%
TOTAL LIABILITIES	1,409,693	1,093,525	316,168	28.91%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated				
Other Comprehensive Income (Loss)	240,761	201,538	39,223	19.46%
Accumulated Other Comprehensive Income (Loss):				
Net Unrealized Gains/Losses on				
Available-for-sale Debt Securities	3,511	(4,307)	7,818	-181.52%
Defined Benefit Plans	180	137	43	31.39%
TOTAL SHAREHOLDERS' EQUITY	244,452	197,368	47,084	23.86%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,654,145	\$1,290,893	\$363,252	28.14%

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information

CITIZENS & NORTHERN
CORPORATION

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	AS OF OR FOR THE		%
	YEARS ENDED		
	DECEMBER 31,		INCREASE
	<u>2019</u>	<u>2018</u>	<u>(DECREASE)</u>
EARNINGS PERFORMANCE			
Net Income	\$19,504	\$22,013	-11.40%
Return on Average Assets (Annualized)	1.27%	1.72%	-26.16%
Return on Average Equity (Annualized)	8.50%	11.72%	-27.47%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,654,145	\$1,290,893	28.14%
Available-for-Sale Debt Securities	346,723	363,273	-4.56%
Loans (Net)	1,172,386	818,254	43.28%
Allowance for Loan Losses	9,836	9,309	5.66%
Deposits and Repo Sweep Accounts	1,254,588	1,039,625	20.68%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$178,446	\$171,750	3.90%
Trust Assets Under Management	1,007,113	862,517	16.76%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$1.46	\$1.79	-18.44%
Net Income - Diluted	\$1.46	\$1.79	-18.44%
Dividends - Quarterly	\$1.08	\$1.08	0.00%
Dividends - Special	\$0.10	\$0.00	
Common Book Value	\$17.84	\$16.02	11.36%
Tangible Common Book Value (a)	\$15.68	\$15.05	4.19%
Market Value (Last Trade)	\$28.25	\$26.43	6.89%
Market Value/Common Book Value	158.35%	164.98%	-4.02%
Market Value/Tangible Common Book Value	180.17%	175.61%	2.60%
Price Earnings Multiple (Annualized)	19.35	14.77	31.01%
Dividend Yield (Annualized, Excluding Special Dividend)	3.82%	4.09%	-6.60%
Common Shares Outstanding, End of Period	13,703,022	12,319,330	11.23%

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)

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

	AS OF OR FOR THE		%
	YEARS ENDED		
	DECEMBER 31,		INCREASE
	<u>2019</u>	<u>2018</u>	<u>(DECREASE)</u>
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets (a)	13.22%	14.50%	-8.83%
Nonperforming Assets / Total Assets	0.80%	1.37%	-41.61%
Allowance for Loan Losses / Total Loans	0.83%	1.12%	-25.89%
Total Risk Based Capital Ratio (b)	20.58%	24.42%	-15.72%
Tier 1 Risk Based Capital Ratio (b)	19.08%	23.24%	-17.90%
Common Equity Tier 1 Risk Based Capital Ratio (b)	19.08%	23.24%	-17.90%
Leverage Ratio (b)	13.10%	14.78%	-11.37%
AVERAGE BALANCES			
Average Assets	\$1,540,469	\$1,276,140	20.71%
Average Equity	\$229,446	\$187,895	22.11%
EFFICIENCY RATIO (c)			
<hr/>			
Net Interest Income on a Fully Taxable-Equivalent Basis (c)	\$55,532	\$47,004	18.14%
Noninterest Income	19,284	18,597	3.69%
Total (1)	\$74,816	\$65,601	14.05%
Noninterest Expense Excluding Merger Expenses (2)	\$45,438	\$39,158	16.04%
Efficiency Ratio = (2)/(1)	60.73%	59.69%	1.74%

(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	\$1,654,145	\$1,290,893
Less: Intangible Assets, Primarily Goodwill	(29,635)	(11,951)
Tangible Assets	\$1,624,510	\$1,278,942
Total Shareholders' Equity	\$244,452	\$197,368
Less: Intangible Assets, Primarily Goodwill	(29,635)	(11,951)
Tangible Common Equity (3)	\$214,817	\$185,417
<hr/>		
Common Shares Outstanding, End of Period (4)	13,703,022	12,319,330
Tangible Common Book Value per Share = (3)/(4)	\$15.68	\$15.05

(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. These expenses included expenses related to the acquisition of Monument Bancorp, Inc. which closed on April 1, 2019. Also excluded were expenses associated with analysis of the acquisition of Covenant Bancorp, Inc., which is expected to close in the third quarter 2020.

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

For the Three Months Ended:

	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
Interest income	\$17,290	\$17,277	\$17,139	\$13,065	\$13,304	\$12,800	\$12,334	\$11,890
Interest expense	2,999	3,000	2,934	1,350	1,312	1,241	1,079	993
Net interest income	14,291	14,277	14,205	11,715	11,992	11,559	11,255	10,897
Provision (credit) for loan losses	652	1,158	(4)	(957)	252	60	(20)	292
Net interest income after provision (credit) for loan losses	13,639	13,119	14,209	12,672	11,740	11,499	11,275	10,605
Noninterest income	5,066	4,963	4,849	4,406	5,040	4,462	4,689	4,406
Net gains (losses) on securities	3	13	7	0	(4)	569	1,468	0
Merger-related expenses	281	206	3,301	311	127	200	0	0
Other noninterest expenses	11,834	11,486	11,422	10,696	9,947	9,633	9,684	9,895
Income before income tax provision	6,593	6,403	4,342	6,071	6,702	6,697	7,748	5,116
Income tax provision	1,135	1,096	693	981	1,021	1,111	1,377	741
Net income	\$5,458	\$5,307	\$3,649	\$5,090	\$5,681	\$5,586	\$6,371	\$4,375
Net income attributable to common shares	\$5,431	\$5,281	\$3,630	\$5,063	\$5,654	\$5,558	\$6,339	\$4,352
Basic earnings per common share	\$0.40	\$0.39	\$0.27	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36
Diluted earnings per common share	\$0.40	\$0.39	\$0.27	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36

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

As of:

	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
ASSETS								
Cash & Due from Banks	\$35,202	\$51,443	\$39,505	\$44,002	\$37,487	\$38,341	\$51,475	\$36,860
Available-for-Sale Debt Securities	346,723	363,467	363,465	357,646	363,273	358,706	348,044	341,133
Loans Held for Sale	767	2,033	1,131	0	213	551	177	225
Loans, Net	1,172,386	1,130,143	1,108,483	817,136	818,254	813,717	809,816	808,300
Intangible Assets	29,635	29,939	30,013	11,949	11,951	11,951	11,952	11,953
Other Assets	69,432	65,562	67,088	59,267	59,715	62,173	62,543	59,645
TOTAL ASSETS	\$1,654,145	\$1,642,587	\$1,609,685	\$1,290,000	\$1,290,893	\$1,285,439	\$1,284,007	\$1,258,116
LIABILITIES								
Deposits	\$1,252,660	\$1,294,882	\$1,284,143	\$1,039,911	\$1,033,772	\$1,043,947	\$1,040,899	\$1,018,081
Repo Sweep Accounts	1,928	3,767	3,192	5,132	5,853	5,421	5,169	5,482
Total Deposits and Repo Sweeps	1,254,588	1,298,649	1,287,335	1,045,043	1,039,625	1,049,368	1,046,068	1,023,563
Borrowed Funds	136,419	75,714	62,574	32,844	42,915	35,985	39,054	39,122
Subordinated Debt	6,500	7,000	7,000	0	0	0	0	0
Other Liabilities	12,186	18,285	13,060	9,986	10,985	10,099	9,706	9,049
TOTAL LIABILITIES	1,409,693	1,399,648	1,369,969	1,087,873	1,093,525	1,095,452	1,094,828	1,071,734
SHAREHOLDERS' EQUITY								
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	240,761	238,479	236,284	202,768	201,538	198,355	195,518	191,920
Accumulated Other Comprehensive Income (Loss):								
Net Unrealized Gains (Losses) on Available-for-sale Securities	3,511	4,173	3,138	(941)	(4,307)	(8,502)	(6,476)	(5,679)
Defined Benefit Plans Adjustment, Net	180	287	294	300	137	134	137	141
TOTAL SHAREHOLDERS' EQUITY	244,452	242,939	239,716	202,127	197,368	189,987	189,179	186,382
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,654,145	\$1,642,587	\$1,609,685	\$1,290,000	\$1,290,893	\$1,285,439	\$1,284,007	\$1,258,116

AVAILABLE-FOR-SALE DEBT SECURITIES (In Thousands)	December 31, 2019		September 30, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$16,380	\$17,000	\$16,379	\$17,096	\$12,331	\$12,500
Obligations of states and political subdivisions:						
Tax-exempt	68,787	70,760	71,317	73,281	84,204	83,952
Taxable	35,446	36,303	31,907	33,086	27,618	27,699
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:						
Residential pass-through securities	58,875	59,210	62,051	62,245	54,827	53,445
Residential collateralized mortgage obligations	115,025	114,723	127,950	127,815	148,964	145,912
Commercial mortgage-backed securities	47,765	48,727	48,581	49,944	40,781	39,765
Total Available-for-Sale Debt Securities	\$342,278	\$346,723	\$358,185	\$363,467	\$368,725	\$363,273

**Summary of Loans by Type
(Excludes Loans Held for Sale)
(In Thousands)**

	Dec. 31, 2019	Sept. 30, 2019	Dec. 31, 2018
Residential mortgage:			
Residential mortgage loans - first liens	\$510,641	\$487,425	\$372,339
Residential mortgage loans - junior liens	27,503	29,056	25,450
Home equity lines of credit	33,638	35,492	34,319
1-4 Family residential construction	14,798	32,699	24,698
Total residential mortgage	586,580	584,672	456,806
Commercial:			
Commercial loans secured by real estate	301,227	297,519	162,611
Commercial and industrial	126,374	115,213	91,856
Political subdivisions	53,570	46,466	53,263
Commercial construction and land	33,555	22,386	11,962
Loans secured by farmland	12,251	7,103	7,146
Multi-family (5 or more) residential	31,070	27,633	7,180
Agricultural loans	4,319	5,145	5,659
Other commercial loans	16,535	12,828	13,950
Total commercial	578,901	534,293	353,627
Consumer	16,741	20,435	17,130
Total	1,182,222	1,139,400	827,563
Less: allowance for loan losses	(9,836)	(9,257)	(9,309)
Loans, net	\$1,172,386	\$1,130,143	\$818,254

**Loans Held for Sale
(In Thousands)**

	Dec. 31, 2019	Sept. 30, 2019	Dec. 31, 2018
Residential mortgage loans originated and serviced - outstanding balance	\$179,213	\$179,594	\$171,955
Less: outstanding balance of loans sold	(178,446)	(177,561)	(171,742)
Loans held for sale, net	\$767	\$2,033	\$213

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended Dec. 31, 2019	3 Months Ended Sept. 30, 2019	Year Ended Dec. 31, 2019	Year Ended Dec. 31, 2018
Balance, beginning of period	\$9,257	\$8,200	\$9,309	\$8,856
Charge-offs	(84)	(116)	(379)	(497)
Recoveries	11	15	57	366
Net (charge-offs)	(73)	(101)	(322)	(131)
Provision for loan losses	652	1,158	849	584
Balance, end of period	<u>\$9,836</u>	<u>\$9,257</u>	<u>\$9,836</u>	<u>\$9,309</u>

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

	Dec 31, 2019	Sept. 30, 2019	Dec 31, 2018
Impaired loans with a valuation allowance	\$3,375	\$3,027	\$4,851
Impaired loans without a valuation allowance	2,111	2,916	4,923
Total impaired loans	<u>\$5,486</u>	<u>\$5,943</u>	<u>\$9,774</u>
Total loans past due 30-89 days and still accruing	<u>\$8,889</u>	<u>\$5,230</u>	<u>\$7,142</u>
Nonperforming assets:			
Total nonaccrual loans	\$9,218	\$9,020	\$13,113
Total loans past due 90 days or more and still accruing	1,207	2,395	2,906
Total nonperforming loans	10,425	11,415	16,019
Foreclosed assets held for sale (real estate)	2,886	2,762	1,703
Total nonperforming assets	<u>\$13,311</u>	<u>\$14,177</u>	<u>\$17,722</u>
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$889	\$924	\$655
Nonperforming	1,737	1,744	2,884
Total TDRs	<u>\$2,626</u>	<u>\$2,668</u>	<u>\$3,539</u>
Total nonperforming loans as a % of loans	0.88%	1.00%	1.94%
Total nonperforming assets as a % of assets	0.80%	0.86%	1.37%
Allowance for loan losses as a % of total loans (1)	0.83%	0.81%	1.12%
Allowance for loan losses as a % of nonperforming loans	94.35%	81.10%	58.11%

- (1) Effective April 1, 2019, C&N recorded loans purchased from Monument at fair value. Loans identified as having a deterioration in credit quality were valued at \$441,000 at April 1, 2019 and December 31, 2019. The remainder of the portfolio was determined to be the performing component of the portfolio, valued at \$258,854,000 at April 1, 2019. The calculation of fair value included a discount for credit losses of \$1,914,000, reflecting an estimate of the present value of credit losses based on market expectations. None of the performing loans purchased were found to be impaired in the remainder of 2019; accordingly, there was no allowance for loan losses on loans purchased from Monument as reflected in the table above at December 31, 2019 or September 30, 2019.

Analysis of Average Daily Balances and Rates
(Dollars in Thousands)

	3 Months Ended 12/31/2019 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2019 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2018 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Interest-bearing due from banks	\$17,577	2.03%	\$26,539	2.38%	\$16,082	2.37%
Available-for-sale debt securities, at amortized cost:						
Taxable	280,333	2.29%	285,114	2.41%	282,708	2.56%
Tax-exempt	69,482	3.01%	69,472	3.34%	91,371	3.68%
Total available-for-sale debt securities	349,815	2.43%	354,586	2.59%	374,079	2.83%
Loans receivable:						
Taxable	1,100,170	5.28%	1,062,578	5.38%	751,793	5.35%
Tax-exempt	66,195	3.81%	67,741	3.74%	74,672	3.78%
Total loans receivable	1,166,365	5.20%	1,130,319	5.28%	826,465	5.21%
Other earning assets	1,721	3.23%	1,515	2.88%	1,166	3.74%
Total Earning Assets	1,535,478	4.53%	1,512,959	4.60%	1,217,792	4.44%
Cash	19,983		22,341		17,101	
Unrealized gain/loss on securities	5,056		4,915		(10,898)	
Allowance for loan losses	(9,469)		(8,322)		(8,986)	
Bank premises and equipment	16,801		16,103		14,735	
Intangible assets	29,902		29,986		11,949	
Other assets	53,124		48,276		44,159	
Total Assets	\$1,650,875		\$1,626,258		\$1,285,852	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$221,052	0.44%	\$232,549	0.62%	\$216,757	0.51%
Money market	202,217	0.52%	200,873	0.52%	177,461	0.40%
Savings	169,342	0.16%	170,583	0.15%	155,687	0.10%
Time deposits	379,446	1.81%	385,538	1.82%	225,995	0.99%
Total interest-bearing deposits	972,057	0.94%	989,543	0.99%	775,900	0.54%
Borrowed funds:						
Short-term	54,705	2.03%	25,823	2.24%	12,499	1.46%
Long-term	56,564	2.03%	48,953	2.24%	34,936	2.33%
Subordinated debt	7,000	6.57%	6,998	6.58%	0	0.00%
Total borrowed funds	118,269	2.30%	81,774	2.62%	47,435	2.10%
Total Interest-bearing Liabilities	1,090,326	1.09%	1,071,317	1.11%	823,335	0.63%
Demand deposits	299,090		300,183		261,118	
Other liabilities	18,446		13,584		11,015	
Total Liabilities	1,407,862		1,385,084		1,095,468	
Stockholders' equity, excluding accumulated other comprehensive income/loss	238,738		237,000		198,861	
Accumulated other comprehensive income/loss	4,275		4,174		(8,477)	
Total Shareholders' Equity	243,013		241,174		190,384	
Total Liabilities and Shareholders' Equity	\$1,650,875		\$1,626,258		\$1,285,852	
Interest Rate Spread		3.44%		3.49%		3.81%
Net Interest Income/Earning Assets		3.75%		3.81%		4.01%
Total Deposits (Interest-bearing and Demand)	\$1,271,147		\$1,289,726		\$1,037,018	

(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 12/31/2019 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2018 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Interest-bearing due from banks	\$21,711	2.37%	\$21,800	1.90%
Available-for-sale debt securities, at amortized cost:				
Taxable	284,072	2.47%	262,461	2.36%
Tax-exempt	73,212	3.45%	97,662	3.58%
Total available-for-sale debt securities	357,284	2.67%	360,123	2.69%
Loans receivable:				
Taxable	988,560	5.37%	746,309	5.18%
Tax-exempt	68,999	3.82%	76,037	3.71%
Total loans receivable	1,057,559	5.27%	822,346	5.05%
Other earning assets	1,439	3.13%	1,160	3.10%
Total Earning Assets	1,437,993	4.58%	1,205,429	4.28%
Cash	19,906		17,674	
Unrealized gain/loss on securities	1,347		(8,343)	
Allowance for loan losses	(8,876)		(9,033)	
Bank premises and equipment	15,914		15,156	
Intangible assets	25,531		11,952	
Other assets	48,654		43,305	
Total Assets	\$1,540,469		\$1,276,140	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$217,910	0.53%	\$217,638	0.44%
Money market	194,849	0.49%	180,835	0.30%
Savings	167,677	0.15%	152,889	0.10%
Time deposits	344,446	1.69%	227,060	0.90%
Total interest-bearing deposits	924,882	0.89%	778,422	0.48%
Borrowed funds:				
Short-term	33,521	2.19%	25,226	1.45%
Long-term	43,917	2.31%	25,209	2.21%
Subordinated debt	5,274	6.58%	0	0.00%
Total borrowed funds	82,712	2.53%	50,435	1.83%
Total Interest-bearing Liabilities	1,007,594	1.02%	828,857	0.56%
Demand deposits	288,805		249,409	
Other liabilities	14,624		9,979	
Total Liabilities	1,311,023		1,088,245	
Stockholders' equity, excluding accumulated other comprehensive income/loss				
Accumulated other comprehensive income/loss	228,103		194,333	
Total Shareholders' Equity	1,343		(6,438)	
Total Shareholders' Equity	229,446		187,895	
Total Liabilities and Shareholders' Equity	\$1,540,469		\$1,276,140	
Interest Rate Spread		3.56%		3.72%
Net Interest Income/Earning Assets		3.86%		3.90%
 Total Deposits (Interest-bearing and Demand)	 \$1,213,687		 \$1,027,831	

(1) 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.

COMPARISON OF NONINTEREST INCOME
(In Thousands)

	Three Months Ended			Years Ended	
	Dec. 31, 2019	Sept. 30, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Trust and financial management revenue	\$1,684	\$1,479	\$1,463	\$6,106	\$5,838
Brokerage revenue	265	333	300	1,266	1,018
Insurance commissions, fees and premiums	18	71	33	167	105
Service charges on deposit accounts	1,395	1,436	1,334	5,358	5,171
Service charges and fees	73	91	80	332	343
Interchange revenue from debit card transactions	690	722	666	2,754	2,546
Net gains from sales of loans	306	310	168	924	682
Loan servicing fees, net	91	(54)	84	100	347
Increase in cash surrender value of life insurance	106	105	99	402	394
Other noninterest income	438	470	813	1,875	2,153
Total noninterest income, excluding realized gains (losses) on securities, net	\$5,066	\$4,963	\$5,040	\$19,284	\$18,597

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Years Ended	
	Dec. 31, 2019	Sept. 30, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Salaries and wages	\$5,395	\$5,480	\$4,611	\$20,644	\$17,191
Pensions and other employee benefits	1,545	1,449	1,212	5,837	5,259
Occupancy expense, net	653	654	599	2,629	2,497
Furniture and equipment expense	322	333	295	1,289	1,196
Data processing expenses	836	802	748	3,403	2,750
Automated teller machine and interchange expense	340	297	316	1,103	1,304
Pennsylvania shares tax	345	341	320	1,380	1,318
Professional fees	274	242	116	1,069	976
Telecommunications	207	197	181	744	748
Directors' fees	187	162	157	673	706
Other noninterest expense	1,730	1,529	1,391	6,667	5,213
Total noninterest expense, excluding merger-related expenses	11,834	11,486	9,946	45,438	39,158
Merger-related expenses	281	206	128	4,099	328
Total noninterest expense	\$12,115	\$11,692	\$10,074	\$49,537	\$39,486