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Stock Symbol: CZNC

Chartered 1864

FEDERAL DEPOSIT INSURANCE CORP

December 31, 2012

QUARTERLY REPORT

Dear Shareholder:

Citizens & Northern finished 2012 on a strong note with fourth quarter net income of \$5,939,000 resulting in net income of \$22,705,000 for the year. While the quarterly and annual results are slightly less than the prior year the annual Return on Average Assets (ROAA) remains a robust 1.74% with a strong Return on Average Equity (ROAE) of 12.91%. The keys to our superior earnings performance are the maintenance of a strong net interest margin in a very difficult rate environment, strong non-interest income and an acute focus on overhead expenses.

Total assets remained relatively flat as we continue to de-leverage the balance sheet as the current interest rate environment provides few appropriate opportunities without incurring undue interest rate and/or credit risk. Other highlights for the year are non-performing assets remain manageable at .82% and residential mortgage origination remains brisk with the bank servicing \$100,631,000 of mortgages generated which is an increase of \$43,994,000 over the prior year. While bank assets were flat, Trust Assets Under Management rose 11.5% finishing the year at \$707,912,000.

Our stock (CZNC) closed the year at \$18.90, up 2.33% over the prior year. Dividends were increased to \$.84 per share which represents an increase of 44.83% over the prior year.

We realize that 2013 will be a very challenging year for the industry as the Federal Reserve Bank continues to keep interest rates low causing margin compression and as more of the rules are finalized to implement Dodd-Frank.

I will more fully report on the past year with my correspondence to the shareholders contained in our Annual Highlights. As shareholders, we solicit your continued support.

Charles H. Updegraff, Jr.
Chairman, President & CEO

**CITIZENS & NORTHERN CORPORATION
BOARD OF DIRECTORS**

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CITIZENS & NORTHERN BANK

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OFFICES

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563 Main Street, **EAST SMITHFIELD**, PA 18817
104 Main Street, **ELKLAND**, PA 16920
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230-232 Railroad Street, **JERSEY SHORE**, PA 17740
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428 Main Street, **TOWANDA**, PA18848
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130 Court Street, **WILLIAMSPORT**, PA 17701
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3 Main Street, **Canisteo**, NY 14823
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CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	4TH QUARTER 2012 <u>(Current)</u>	3RD QUARTER 2012 <u>(Prior Qtr)</u>	4TH QUARTER 2011 <u>(Prior Yr)</u>	YEARS ENDED DECEMBER 31, 2012 <u>(Current)</u>		2011 <u>(Prior Yr)</u>
Interest and Dividend Income	\$13,491	\$13,836	\$15,198	\$56,632	\$61,256	
Interest Expense	1,900	2,228	2,804	9,031	13,556	
Net Interest Income	11,591	11,608	12,394	47,601	47,700	
(Credit) Provision for Loan Losses	(133)	236	(87)	288	(285)	
Net Interest Income After (Credit) Provision for Loan Losses	11,724	11,372	12,481	47,313	47,985	
Other Income	4,360	4,103	3,711	16,317	13,938	
Net Gains on Available-for-sale Securities	51	2,430	188	2,682	2,216	
Loss on Prepayment of Borrowings	0	2,190	0	2,333	0	
Other Noninterest Expenses	7,987	8,207	7,948	32,848	32,057	
Income Before Income Tax Provision	8,148	7,508	8,432	31,131	32,082	
Income Tax Provision	2,209	2,014	2,291	8,426	8,714	
Net Income	\$5,939	\$5,494	\$6,141	\$22,705	\$23,368	

PER COMMON SHARE DATA:

Net Income - Basic	\$0.48	\$0.45	\$0.51	\$1.86	\$1.92
Net Income - Diluted	\$0.48	\$0.45	\$0.51	\$1.85	\$1.92
Dividend Per Share	\$0.24	\$0.22	\$0.16	\$0.84	\$0.58
Number Shares Used in Computation - Basic	12,265,100	12,244,797	12,145,666	12,235,748	12,162,045
Number Shares Used in Computation - Diluted	12,283,702	12,270,685	12,154,971	12,260,208	12,166,768

CONDENSED, CONSOLIDATED BALANCE SHEET DATA

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

	DEC. 31, 2012	SEPT. 30, 2012	DEC. 31, 2011
ASSETS			
Cash & Due from Banks	\$59,836	\$42,496	\$60,575
Available-for-sale Securities	472,577	487,314	481,685
Loans Held for Sale	2,545	3,846	939
Loans, Net	677,053	690,357	700,610
Intangible Assets	12,080	12,098	12,154
Other Assets	62,816	73,898	67,772
TOTAL ASSETS	\$1,286,907	\$1,310,009	\$1,323,735
LIABILITIES			
Deposits	1,006,106	1,013,010	1,018,206
Repo Sweep Accounts	5,567	4,657	4,950
Total Deposits and Repo Sweeps	1,011,673	1,017,667	1,023,156
Borrowed Funds	83,812	104,954	125,363
Other Liabilities	8,636	7,242	7,831
TOTAL LIABILITIES	1,104,121	1,129,863	1,156,350
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity, Excluding Accumulated			
Other Comprehensive Income (Loss)	171,783	168,320	157,225
Accumulated Other Comprehensive Income (Loss):			
Net Unrealized Gains/Losses on			
Available-for-sale Securities	11,568	12,278	10,791
Defined Benefit Plans	(565)	(452)	(631)
TOTAL SHAREHOLDERS' EQUITY	182,786	180,146	167,385
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,286,907	\$1,310,009	\$1,323,735

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	YEARS ENDED DECEMBER 31,		%
	<u>2012</u>	<u>2011</u>	<u>INCREASE (DECREASE)</u>
EARNINGS PERFORMANCE			
Net Income	\$22,705	\$23,368	-2.84%
Return on Average Assets	1.74%	1.78%	-2.25%
Return on Average Equity	12.91%	15.30%	-15.62%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,286,907	\$1,323,735	-2.78%
Available-for-Sale Securities	472,577	481,685	-1.89%
Loans (Net)	677,053	700,610	-3.36%
Allowance for Loan Losses	6,857	7,705	-11.01%
Deposits and Repo Sweep Accounts	1,011,673	1,023,156	-1.12%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	100,631	56,637	77.68%
Trust Assets Under Management	707,912	634,782	11.52%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$1.86	\$1.92	-3.12%
Net Income - Diluted	\$1.85	\$1.92	-3.65%
Dividends	\$0.84	\$0.58	44.83%
Common Book Value	\$14.89	\$13.77	8.13%
Tangible Common Book Value	\$13.91	\$12.77	8.93%
Market Value (Last Trade)	\$18.90	\$18.47	2.33%
Market Value / Common Book Value	126.93%	134.13%	-5.37%
Market Value / Tangible Common Book Value	135.87%	144.64%	-6.06%
Price Earnings Multiple	10.16	9.62	5.61%
Dividend Yield	4.44%	3.14%	41.40%
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets	13.39%	11.84%	13.09%
Nonperforming Assets / Total Assets	0.82%	0.73%	12.33%
Allowance for Loan Losses / Total Loans	1.00%	1.09%	-8.26%
Total Risk Based Capital Ratio (a)	23.97%	21.17%	13.23%
Tier 1 Risk Based Capital Ratio (a)	22.82%	19.95%	14.39%
Leverage Ratio (a)	12.53%	10.93%	14.64%
AVERAGE BALANCES			
Average Assets	\$1,305,163	\$1,313,445	-0.63%
Average Equity	\$175,822	\$152,718	15.13%

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

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information



**AVAILABLE-FOR-SALE SECURITIES
(In Thousands)**

	December 31, 2012		September 30, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$30,695	\$31,217	\$23,181	\$23,844	\$24,877	\$25,587
Obligations of states and political subdivisions:						
Tax-exempt	130,168	137,020	134,651	141,519	129,401	132,962
Taxable	24,426	24,817	21,766	22,244	14,004	14,334
Mortgage-backed securities	76,368	80,196	85,750	90,357	116,602	121,769
Collateralized mortgage obligations,						
Issued by U.S. Government agencies	179,770	183,510	188,169	191,945	161,818	165,131
Trust preferred securities issued by individual institutions	5,167	5,171	6,173	6,221	7,334	8,146
Collateralized debt obligations:						
Pooled trust preferred securities - senior tranches	1,615	1,613	2,515	2,496	4,996	4,638
Pooled trust preferred securities - mezzanine tranches	0	0	0	0	0	730
Other collateralized debt obligations	660	660	660	660	660	660
Total debt securities	448,869	464,204	462,865	479,286	459,692	473,957
Marketable equity securities	5,912	8,373	5,562	8,028	5,643	7,728
Total	\$454,781	\$472,577	\$468,427	\$487,314	\$465,335	\$481,685

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

	Dec. 31, 2012	Sept. 30, 2012	Dec. 31, 2011
Residential mortgage:			
Residential mortgage loans - first liens	\$311,627	\$317,734	\$331,015
Residential mortgage loans - junior liens	26,748	27,084	28,851
Home equity lines of credit	33,017	32,550	30,037
1-4 Family residential construction	12,842	13,038	9,959
Total residential mortgage	384,234	390,406	399,862
Commercial:			
Commercial loans secured by real estate	158,413	163,773	156,388
Commercial and industrial	48,442	49,405	57,191
Political subdivisions	31,789	35,549	37,620
Commercial construction and land	28,200	27,307	23,518
Loans secured by farmland	11,403	10,328	10,949
Multi-family (5 or more) residential	6,745	6,109	6,583
Agricultural loans	3,053	3,181	2,987
Other commercial loans	362	329	552
Total commercial	288,407	295,981	295,788
Consumer	11,269	11,762	12,665
Total	683,910	698,149	708,315
Less: allowance for loan losses	(6,857)	(7,792)	(7,705)
Loans, net	\$677,053	\$690,357	\$700,610

Loans Held for Sale
(In Thousands)

	Dec 31, 2012	Sept. 30, 2012	Dec. 31, 2011
Residential mortgage loans originated and serviced - outstanding balance	\$103,176	\$87,051	\$57,577
Less: outstanding balance of loans sold	(100,631)	(83,205)	(56,638)
Loans held for sale, net	\$2,545	\$3,846	\$939

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

(In Thousands)

	3 Months Ended Dec. 31, 2012	3 Months Ended Sept. 30, 2012	Year Ended Dec. 31 2012	Year Ended Dec. 31 2011
Balance, beginning of period	\$7,792	\$7,657	\$7,705	\$9,107
Charge-offs	(817)	(113)	(1,221)	(1,446)
Recoveries	15	12	85	329
Net charge-offs	(802)	(101)	(1,136)	(1,117)
(Credit) provision for loan losses	(133)	236	288	(285)
Balance, end of period	\$6,857	\$7,792	\$6,857	\$7,705

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

(In Thousands)

	Dec. 31, 2012	Sept. 30, 2012	Dec. 31, 2011
Impaired loans with a valuation allowance	\$2,710	\$4,119	\$3,433
Impaired loans without a valuation allowance	4,719	3,718	4,431
Total impaired loans	\$7,429	\$7,837	\$7,864
Total loans past due 30-89 days and still accruing	\$7,756	\$6,001	\$7,898
Nonperforming assets:			
Total nonaccrual loans	\$7,353	\$7,269	\$7,197
Total loans past due 90 days or more and still accruing	2,311	2,260	1,267
Total nonperforming loans	9,664	9,529	8,464
Foreclosed assets held for sale (real estate)	879	839	1,235
Total nonperforming assets	\$10,543	\$10,368	\$9,699
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$906	\$916	\$1,064
Nonperforming	1,155	1,753	2,413
Total TDRs	\$2,061	\$2,669	\$3,477
Total nonperforming loans as a % of loans	1.41%	1.36%	1.19%
Total nonperforming assets as a % of assets	0.82%	0.79%	0.73%
Allowance for loan losses as a % of total loans	1.00%	1.12%	1.09%
Allowance for loan losses as a % of nonperforming loans	70.95%	81.77%	91.03%

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

	3 Months Ended 12/31/2012 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2012 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2011 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Available-for-sale securities, at amortized cost:						
Taxable	\$327,726	2.32%	\$339,639	2.46%	\$337,405	3.27%
Tax-exempt	132,495	5.86%	135,362	5.69%	130,819	5.87%
Total available-for-sale securities	460,221	3.34%	475,001	3.38%	468,224	4.00%
Interest-bearing due from banks	23,861	0.40%	33,929	0.36%	36,404	0.31%
Loans held for sale	3,204	4.10%	4,293	3.89%	953	7.08%
Loans receivable:						
Taxable	656,020	5.97%	662,374	6.00%	669,755	6.33%
Tax-exempt	39,676	5.99%	37,696	6.32%	35,744	6.29%
Total loans receivable	695,696	5.97%	700,070	6.02%	705,499	6.33%
Total Earning Assets	1,182,982	4.83%	1,213,293	4.82%	1,211,080	5.25%
Cash	17,482		17,466		17,812	
Unrealized gain/loss on securities	18,983		19,310		12,710	
Allowance for loan losses	(7,849)		(7,727)		(8,255)	
Bank premises and equipment	18,911		19,106		19,286	
Intangible Asset - Core Deposit Intangible	149		165		230	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	44,146		46,102		50,743	
Total Assets	\$1,286,746		\$1,319,657		\$1,315,548	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$169,782	0.12%	\$166,961	0.12%	\$161,274	0.15%
Money market	208,463	0.15%	210,269	0.16%	208,855	0.18%
Savings	110,645	0.10%	110,133	0.10%	101,405	0.10%
Certificates of deposit	186,238	1.43%	199,250	1.47%	195,774	1.81%
Individual Retirement Accounts	137,565	0.58%	141,421	0.73%	149,219	1.12%
Other time deposits	738	0.00%	1,768	0.00%	801	0.50%
Total interest-bearing deposits	813,431	0.50%	829,802	0.56%	817,328	0.73%
Borrowed funds:						
Short-term	8,877	0.18%	5,369	0.15%	12,673	0.09%
Long-term	86,362	4.00%	105,811	4.02%	127,692	4.04%
Total borrowed funds	95,239	3.64%	111,180	3.83%	140,365	3.68%
Total Interest-bearing Liabilities	908,670	0.83%	940,982	0.94%	957,693	1.16%
Demand deposits	187,748		191,301		186,562	
Other liabilities	9,086		8,967		8,721	
Total Liabilities	1,105,504		1,141,250		1,152,976	
Stockholders' equity, excluding other comprehensive income/loss	169,346		166,318		154,484	
Other comprehensive income/loss	11,896		12,089		8,088	
Total Stockholders' Equity	181,242		178,407		162,572	
Total Liabilities and Stockholders' Equity	\$1,286,746		\$1,319,657		\$1,315,548	
Interest Rate Spread		4.00%		3.88%		4.09%
Net Interest Income/Earning Assets		4.19%		4.09%		4.33%
Total Deposits (Interest-bearing and Demand)	\$1,001,179		\$1,021,103		\$1,003,890	

(1) Changes in income on tax-exempt securities and loans are presented on a fully tax-equivalent basis, using the Corporation's marginal federal income tax rate of 35% in 2012 and 34% in 2011.

(2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.

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

	Year Ended 12/31/2012 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2011 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Available-for-sale securities, at amortized cost:				
Taxable	\$332,911	2.80%	\$333,441	3.39%
Tax-exempt	131,438	5.88%	128,463	5.98%
Total available-for-sale securities	464,349	3.67%	461,904	4.11%
Interest-bearing due from banks	32,337	0.35%	31,359	0.23%
Loans held for sale	2,611	4.10%	900	5.89%
Loans receivable:				
Taxable	662,751	6.10%	679,357	6.36%
Tax-exempt	37,490	6.24%	35,064	6.37%
Total loans receivable	700,241	6.11%	714,421	6.36%
Total Earning Assets	1,199,538	5.01%	1,208,584	5.34%
Cash	17,408		17,762	
Unrealized gain/loss on securities	18,444		7,105	
Allowance for loan losses	(7,688)		(8,688)	
Bank premises and equipment	18,956		21,381	
Intangible Asset - Core Deposit Intangible	176		272	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	46,387		55,087	
Total Assets	\$1,305,163		\$1,313,445	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$163,840	0.13%	\$162,583	0.25%
Money market	208,814	0.17%	206,612	0.24%
Savings	108,218	0.10%	97,099	0.17%
Certificates of deposit	194,175	1.55%	205,231	1.90%
Individual Retirement Accounts	142,315	0.80%	154,688	2.04%
Other time deposits	1,191	0.08%	1,231	0.24%
Total interest-bearing deposits	818,553	0.59%	827,444	0.98%
Borrowed funds:				
Short-term	6,831	0.15%	17,216	0.13%
Long-term	105,220	4.00%	134,894	4.02%
Total borrowed funds	112,051	3.77%	152,110	3.58%
Total Interest-bearing Liabilities	930,604	0.97%	979,554	1.38%
Demand deposits	189,916		173,681	
Other liabilities	8,821		7,492	
Total Liabilities	1,129,341		1,160,727	
Stockholders' equity, excluding other comprehensive income/loss				
Other comprehensive income/loss	164,316		148,324	
Other comprehensive income/loss	11,506		4,394	
Total Stockholders' Equity	175,822		152,718	
Total Liabilities and Stockholders' Equity	\$1,305,163		\$1,313,445	
Interest Rate Spread		4.04%		3.96%
Net Interest Income/Earning Assets		4.26%		4.22%
 Total Deposits (Interest-bearing and Demand)	 \$1,008,469		 \$1,001,125	

(1) Changes in income on tax-exempt securities and loans are presented on a fully tax-equivalent basis, using the Corporation's marginal federal income tax rate of 35% in 2012 and 34% in 2011.

(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, 2012	Sept. 30, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Service charges on deposit accounts	\$1,329	\$1,290	\$1,187	\$5,036	\$4,773
Service charges and fees	235	239	206	929	849
Trust and financial management revenue	1,085	873	864	3,847	3,472
Brokerage revenue	148	197	89	801	640
Insurance commissions, fees and premiums	52	62	65	221	257
Interchange revenue from debit card transactions	478	477	495	1,938	1,922
Net gains from sales of loans	662	625	430	1,925	1,107
Increase in cash surrender value of life insurance	108	111	128	455	509
Net gain (loss) from other real estate	33	(19)	33	(66)	41
Net gain from premises and equipment	(1)	1	0	270	324
Impairment loss on limited partnership investment	0	0	0	0	(948)
Other operating income	231	247	214	961	992
Total other operating income, before realized gains on available-for-sale securities, net	\$4,360	\$4,103	\$3,711	\$16,317	\$13,938

COMPARISON OF NONINTEREST EXPENSE**(In Thousands)**

	Three Months Ended			Years Ended	
	Dec. 31, 2012	Sept. 30, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Salaries and wages	\$3,615	\$3,594	\$3,545	\$14,370	\$13,866
Pensions and other employee benefits	1,059	982	1,063	4,497	4,407
Occupancy expense, net	602	610	600	2,476	2,638
Furniture and equipment expense	469	475	497	1,887	1,932
FDIC Assessments	165	165	144	633	832
Pennsylvania shares tax	301	339	322	1,312	1,306
Other operating expense	1,776	2,042	1,777	7,673	7,076
Total noninterest expense, before loss on prepayment of borrowings	7,987	8,207	7,948	32,848	32,057
Loss on prepayment of borrowings	0	2,190	0	2,333	0
Total Noninterest Expense	\$7,987	\$10,397	\$7,948	\$35,181	\$32,057