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**C&N DECLARES DIVIDEND AND ANNOUNCES THIRD QUARTER 2020 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 nine-month periods ended September 30, 2020.

Dividend Declared

On October 22, 2020, C&N’s Board of Directors declared a regular quarterly cash dividend of \$0.27 per share. The dividend is payable on November 13, 2020 to shareholders of record as of November 2, 2020.

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

C&N’s acquisition of Covenant Financial, Inc. (“Covenant”) was completed July 1, 2020. Covenant was the parent company of Covenant Bank, a commercial bank which operated a community bank office in Bucks County, Pennsylvania and another in Chester County, Pennsylvania. Pursuant to the transaction, Covenant merged with and into C&N and Covenant Bank merged with and into C&N’s bank subsidiary, Citizens & Northern Bank. Total purchase consideration was \$63.3 million, including common stock with a fair value of \$41.6 million and cash of \$21.7 million. Holders of Covenant common stock prior to the consummation of the merger held approximately 12.9% of C&N’s common stock outstanding immediately following the merger.

In connection with the acquisition, effective July 1, 2020, C&N recorded goodwill of \$24.1 million and a core deposit intangible asset of \$3.1 million. Assets acquired included loans valued at \$464.8 million, cash and due from banks of \$97.8 million, bank-owned life insurance valued at \$11.2 million and securities valued at \$10.8 million. Liabilities assumed included deposits valued at \$481.8 million, borrowings valued at \$64.0 million and subordinated debt valued at \$10.1 million. The assets purchased and liabilities assumed in the acquisition were recorded at their preliminary estimated fair values at the time of closing and may be adjusted for up to one year subsequent to the acquisition.

The acquisition of Covenant follows the acquisition of Monument Bancorp, Inc. (“Monument”) on April 1, 2019. Monument was the parent company of Monument Bank, with two community banking offices and a lending office in Bucks County, Pennsylvania. Monument merged with and into C&N and Monument Bank merged with and into Citizens & Northern Bank. The total transaction value of the Monument acquisition was \$42.7 million.

In the first nine months of 2020, C&N incurred pre-tax merger-related expenses related to the Covenant transaction of \$7.5 million, including expenses totaling \$6.4 million in the third quarter 2020. Merger-related expenses include severance and similar expenses as well as expenses related to conversion of Covenant’s core customer system data into C&N’s core system and legal and other professional expenses. Management expects additional merger-related expenses associated with the Covenant acquisition will be insignificant.

Merger-related expenses associated with the Monument transaction totaled \$3.8 million in the first nine months of 2019, including \$0.2 million in the third quarter 2019.

Unaudited Financial Information

Net income was \$0.18 per diluted share in the third quarter 2020, down from \$0.39 in the second quarter 2020 and \$0.39 in the third quarter 2019. For the nine months ended September 30, 2020, net income per diluted share was \$0.86, down from \$1.06 per share for the first nine months of 2019. Earnings for the third quarter and nine months ended September 30, 2020 were significantly impacted by the Covenant acquisition, including the effects of merger-related expenses described earlier. Further, interest income on loans acquired from Covenant, 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. Results for the third quarter and nine months ended September 30, 2019 were significantly impacted by merger-related expenses and other effects of the Monument acquisition.

As described below, excluding merger-related expenses and net realized gains on securities, adjusted (non-U.S. GAAP) earnings of \$0.50 per share for the third quarter 2020 were higher than the comparative \$0.40 per share for the third quarter 2019, and adjusted (non-U.S. GAAP) earnings were \$1.27 per share for the first nine months of 2020 as compared to \$1.31 per share for the first nine months of 2019.

The following table provides a reconciliation of C&N's third quarter and nine months ended September 30, 2020 and 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 net realized gains on securities. Management believes disclosure of unaudited third quarter and nine-months ended September 30, 2020 and 2019 earnings results, 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)

	3rd Quarter 2020				3rd Quarter 2019			
	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
Earnings Under U.S. GAAP	\$3,286	\$438	\$2,848	\$0.18	\$6,403	\$1,096	\$5,307	\$0.39
Add: Merger-Related Expenses	6,402	1,307	5,095		206	59	147	
Net Gains on Available-for-Sale Debt Securities	(25)	(5)	(20)		(13)	(3)	(10)	
Adjusted Earnings, Excluding Effect of Merger- Related Expenses and Net Gains on Available- for Sale Debt Securities (Non-U.S. GAAP)	\$9,663	\$1,740	\$7,923	\$0.50	\$6,596	\$1,152	\$5,444	\$0.40
	9 Months Ended September 30, 2020				9 Months Ended September 30, 2019			
	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
Earnings Under U.S. GAAP	\$14,961	\$2,509	\$12,452	\$0.86	\$16,816	\$2,770	\$14,046	\$1.06
Add: Merger-Related Expenses	7,526	1,536	5,990		3,818	798	3,020	
Net Gains on Available-for-Sale Debt Securities	(25)	(5)	(20)		(20)	(4)	(16)	
Adjusted Earnings, Excluding Effect of Merger- Related Expenses and Net Gains on Available- for Sale Debt Securities (Non-U.S. GAAP)	\$22,462	\$4,040	\$18,422	\$1.27	\$20,614	\$3,564	\$17,050	\$1.31

- (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 third quarter and September 30, 2020 year-to-date unaudited U.S. GAAP earnings results as compared to the second quarter 2020 and comparative periods of 2019 are presented below.

Third Quarter 2020 as Compared to Second Quarter 2020

Net income was \$2,848,000, or \$0.18 per diluted share, for the third quarter 2020, down from \$5,438,000, or \$0.39 per diluted share, in the second quarter 2020. Excluding the effects of merger-related expenses, adjusted (non-U.S. GAAP) earnings per share were \$0.50 per share for the third quarter 2020, up from a similarly adjusted \$0.45 per share for the second quarter 2020. Other significant variances were as follows:

- Net interest income totaled \$19,282,000 in the third quarter 2020, up \$5,036,000 from the second quarter 2020 amount of \$14,246,000 mainly due to growth attributable to the Covenant acquisition. Average outstanding loans increased \$474.2 million, including an increase in average loans attributable to the former Covenant operations of \$471.7 million, of which the average balance of loans originated under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) was \$64.0 million. Excluding Covenant, C&N's average loans outstanding increased \$2.5 million, including an increase in average PPP loans of \$20.4 million and a net decrease in other loans outstanding of \$17.9 million. The decrease in average loans outstanding from sources other than Covenant included a reduction in average advances outstanding on commercial lines of credit and a decrease in average residential mortgage loans outstanding as a greater proportion of residential mortgage loans originated has been sold on the secondary market. Average total deposits increased \$535.5 million, including a net increase attributable to former Covenant operations of \$465.6 million. Excluding Covenant, average deposits increased \$69.9 million, including a significant increase in average balances held by municipal customers. The net interest rate spread increased 0.01%, as the average yield on earning assets decreased 0.20% while the average rate on interest-bearing liabilities decreased 0.21%. The net interest margin was 3.57% in the third quarter, down from 3.65% in the second quarter 2020, reflecting higher growth in average interest-bearing liabilities of 44% as compared to growth in average earning assets of 36%. Accretion and amortization of purchase accounting valuation adjustments had a net positive impact on net interest income of \$1,298,000 in the third quarter 2020 as compared to a net positive impact of \$285,000 in the second quarter 2020. Net interest income for the third quarter 2020 was enhanced by accelerated accretion of \$264,000 from a security that was redeemed prior to maturity. In addition to the impact of the Covenant acquisition and other factors, the significant drop in interest rates in 2020 contributed to changes in components of the net interest margin.
- C&N recognized a provision for loan losses of \$1,941,000 in the third quarter 2020, an increase in expense of \$2,117,000 as compared to the credit for loan losses of \$176,000 recognized in the second quarter 2020. The provision for loan losses in the third quarter 2020 included the net impact of a charge-off of \$2,219,000 on a commercial loan of \$3,500,000 for which the previously-established allowance had been \$1,193,000. In total, the third quarter 2020 provision included: a net charge of \$909,000 related to specific loans (net charge-offs of \$2,214,000 partially offset by a decrease in specific allowances on loans of \$1,305,000); a charge of \$834,000 from an increase in the net charge-off experience factors used to estimate the allowance; a charge of \$119,000 from the impact of loan growth, excluding loans purchased from Covenant and PPP loans; and a charge of \$79,000 attributable to increases in qualitative factors. There was no provision for loan losses recorded on PPP loans because the SBA guarantees the loans, subject to compliance with program requirements.
- Noninterest income was \$6,970,000 in the third quarter 2020, up \$1,442,000 from the second quarter 2020 amount. Significant variances included the following:
 - Net gains from sales of loans totaled \$2,052,000 in the third quarter 2020, an increase of \$488,000 over the second quarter total. The volume of residential mortgage loans continued to increase in the third quarter 2020, reflecting the impact of historically low interest rates.

- Other noninterest income totaled \$903,000, an increase of \$472,000 from the second quarter total. In the third quarter 2020, income from a life insurance arrangement in which benefits were split between C&N and heirs of a former employee was \$279,000. Other increases over the quarter include dividend income from Federal Home Loan Bank stock increasing \$36,000, credit enhancement fees of \$28,000 and C&N merchant income of \$28,000.
- Service charges on deposit accounts totaled \$1,045,000 in the third quarter 2020, an increase of \$214,000, as consumer and business activity increased over the quarter.
- Interchange revenue from debit card transactions totaled \$828,000 in the third quarter 2020, an increase of \$110,000 over the second quarter total.
- Loan servicing fees, net, were negative \$87,000 (a decrease in revenue) in the third quarter 2020 as compared to negative \$158,000 in the second quarter 2020. The fair value of mortgage servicing rights decreased \$221,000 in the third quarter 2020, as compared to a decrease of \$270,000 in the second quarter 2020, as market assumptions in both quarters were that prepayments will increase due to lower interest rates.
- Noninterest expense, excluding merger-related expenses, totaled \$14,648,000 in the third quarter 2020, an increase of \$2,374,000 from the second quarter 2020 amount. Significant variances included the following:
 - Salaries and wages of \$6,833,000 increased \$1,469,000 from the second quarter 2020, including an increase of \$1,115,000 related to the increase in recurring personnel from the Covenant acquisition. Labor costs capitalized as loan origination costs decreased \$348,000 in the third quarter 2020 to \$162,000, as second quarter 2020 capitalized labor costs related to PPP originations were high in that quarter.
 - Pensions and other employee benefits expense were \$251,000 higher in the third quarter 2020 as compared to the second quarter, due primarily to the Covenant acquisition.
 - Data processing expenses increased \$211,000, including increases in software licensing and maintenance costs based on growth in assets and costs associated with running two core systems for a portion of the third quarter 2020. The conversion of customer data from Covenant's core system into C&N's core system was completed in late August.
 - Other noninterest expense increased \$192,000. Within this category, significant variances included the following:
 - Amortization expense of core deposit intangibles totaled \$208,000, an increase of \$146,000 over the second quarter amount, related to the Covenant acquisition.
 - The provision for credit losses on off balance sheet exposures related to residential mortgage loans sold totaled \$79,000, an increase of \$99,000 as compared to the second quarter. At September 30, 2020, the allowance for credit losses on residential mortgage loans sold was \$362,000. There have been no charge-offs associated with residential mortgage loans sold through September 30, 2020.
 - Other operational losses totaled \$209,000, a decrease of \$96,000 from the second quarter amount. In the third quarter 2020, C&N recorded an estimated accrual of \$200,000 related to a state tax reporting matter. In the second quarter 2020, C&N recorded expense of \$300,000 for penalties related to certain information returns for which the related accrual of \$300,000 remained in other liabilities at September 30, 2020.

- Occupancy expense increased \$142,000, primarily reflecting an increase due to the Covenant acquisition.
- The income tax provision was \$438,000 for the third quarter 2020, down from \$1,255,000 for the second quarter 2020. The reduction in income tax provision reflected the reduction in pre-tax income of \$3,407,000 for the quarter. The effective tax rate of 13.3% for the third quarter 2020 was down from 18.8% for the second quarter due in part to an increase in tax exempt revenue and a decrease in nondeductible expenses.

Third Quarter 2020 as Compared to Third Quarter 2019

As described above, third quarter 2020 net income was \$2,848,000, and excluding the impact of merger-related expenses, adjusted (non-U.S. GAAP) earnings were \$7,923,000. In comparison, third quarter 2019 net income was \$5,307,000, and excluding merger-related expenses and net securities gains, adjusted (non-U.S. GAAP) earnings were \$5,444,000. Other significant variances were as follows:

- Third quarter 2020 net interest income of \$19,282,000 was \$5,005,000 higher than the third quarter 2019 total, reflecting the impact of growth mainly attributable to the Covenant acquisition. Average outstanding loans increased \$575.3 million, including an increase in average loans from the former Covenant operations of \$471.7 million, of which the average balance of PPP loans was \$64.0 million. Excluding Covenant, C&N's average loans outstanding increased \$103.6 million, including an increase in average PPP loans of \$98.2 million and a net increase in other loans outstanding of \$5.4 million. The net increase in average loans outstanding from sources other than Covenant included the impact of growth in commercial real estate secured and other commercial loans, partially offset by reductions in advances outstanding on commercial lines of credit and residential mortgage loans. The reduction in average outstanding residential mortgage loans resulted from a greater proportion of residential mortgage loans originated being sold on the secondary market. Average total deposits increased \$594.8 million, including a net increase from the former Covenant operations of \$465.6 million. Excluding Covenant, average deposits increased \$129.2 million, including a significant increase in average balances held by municipal customers as well as increases in deposits related to PPP and other government stimulus programs. The net interest margin of 3.57% in the third quarter 2020 was down from 3.81% in the third quarter 2019, as the net interest rate spread decreased 0.09% and average interest-bearing liabilities grew 48% as compared to growth in average earning assets of 44%. Accretion and amortization of purchase accounting valuation adjustments had a net positive impact on net interest income of \$1,298,000 in the third quarter 2020 as compared to a net positive impact of \$195,000 in the third quarter 2019. As noted above, net interest income for the third quarter 2020 included accelerated accretion of \$264,000 from a security that was redeemed prior to maturity. In addition to the impact of the Covenant acquisition and other factors, the significant drop in interest rates in 2020 contributed to changes in components of the net interest margin.
- The provision for loan losses was \$1,941,000 in the third quarter 2020 as compared to \$1,158,000 in the third quarter 2019. Details concerning the third quarter 2020 provision for loan losses are described above.
- Noninterest income for the third quarter 2020 was up \$2,007,000 from the third quarter 2019 total. Significant variances included the following:
 - Net gains from sales of loans of \$2,052,000 for the third quarter 2020 were up \$1,742,000 from the total for the third quarter 2019. The increase reflects an increase in volume of mortgage loans sold, due mainly to the impact of historically low interest rates on the housing market and refinancing activity.
 - Other noninterest income totaled \$903,000, an increase of \$433,000 from the third quarter 2019. In the third quarter 2020, income from a life insurance arrangement in which benefits were split

between C&N and heirs of a former employee was \$279,000. Credit card interchange income increased \$31,000 and dividend income from Federal Home Loan Bank stock was up \$30,000.

- Trust and financial management revenues of \$1,595,000 were up \$116,000 from the third quarter 2019, reflecting an increase in fees from services provided to estates.
 - Interchange revenue from debit card transactions totaled \$828,000 in the third quarter 2020, an increase of \$106,000 over the third quarter 2019 total.
 - Service charges on deposit accounts of \$1,045,000 in the third quarter 2020 were down \$391,000 from the third quarter 2019 amount, as the volume of consumer and business overdraft activity fell.
- Noninterest expense, excluding merger-related expenses, increased \$3,162,000 in the third quarter 2020 over the third quarter 2019 amount. Significant variances included the following:
 - Salaries and wages of \$6,833,000 increased \$1,353,000 from the third quarter 2019, primarily reflecting an increase in personnel due to the Covenant acquisition.
 - Data processing expenses increased \$449,000, including the impact of increases in software licensing and maintenance costs associated with core banking, lending, trust and other functions as well as costs associated with running two concurrent core systems for a portion of the third quarter 2020.
 - Pensions and other employee benefits expense increased \$421,000, reflecting the increase in personnel from the Covenant acquisition and an increase in health care expense from C&N's partially self-insured plan.
 - Other noninterest expense increased \$386,000. Other operational losses increased \$178,000, reflecting the impact of the \$200,000 charge related to a state tax reporting matter described above. Also within this category, amortization of core deposit intangibles increased \$134,000 related to the Covenant acquisition.
 - Professional fees expense increased \$180,000, including costs associated with increased use of outsourced services to support a range of activities, most significantly in certain trust administrative activities.
 - Occupancy expense increased \$152,000, primarily reflecting an increase due to the Covenant acquisition.
 - Pennsylvania shares tax expense increased \$81,000, reflecting the impact of an increase in Citizens & Northern Bank's stockholder's equity.
 - The income tax provision of \$438,000 for the third quarter 2020 was down from \$1,096,000 for the third quarter 2019. Pre-tax income was \$3,117,000 lower in the third quarter 2020 as compared to the third quarter 2019. The effective tax rate of 13.3% for the third quarter 2020 was down from 17.1% for the third quarter 2019 in part due to a higher proportion of revenue from tax-exempt sources.

Nine Months Ended September 30, 2020 as Compared to Nine Months Ended September 30, 2019

Net income for the nine-month period ended September 30, 2020 was \$12,452,000, or \$0.86 per diluted share, while net income for the first nine months of 2019 was \$14,046,000, or \$1.06 per share. Excluding the impact of merger-related expenses and net securities gains, adjusted (non-U.S. GAAP) earnings for the first nine months of 2020 would be \$18,422,000 or \$1.27 per share as compared to similarly adjusted earnings of \$17,050,000 or \$1.31 per share for the first nine months of 2019. Other significant variances were as follows:

- Net interest income was up \$7,613,000 (18.9%) for the first nine months of 2020 over the same period in 2019. For the first nine months of 2020, average outstanding loans totaled \$1.370 billion, an increase of \$348.8 million (34.2%) over the comparative amount for the first nine months of 2019. The nine-month average amount of loans outstanding attributable to the former Covenant operations totaled \$158.7 million, of which the nine-month average balance of PPP loans was \$21.6 million. Excluding Covenant, C&N's average loans outstanding increased \$190.1 million, including PPP loans of \$58.7 million and a net increase in other loans outstanding of \$131.4 million. The increase in average loans outstanding includes the effect of loans acquired from Monument, effective April 1, 2019, as well as subsequent loan growth over the last three quarters of 2019. For the nine-month period ended September 30, 2020, average total deposits increased \$305.0 million over the corresponding amount for the first nine months of 2019. The nine-month average amount of deposits from the former Covenant operations totaled \$156.3 million. Excluding Covenant, average deposits for the first nine months of 2020 increased \$148.7 million over the comparative amount for the first nine months of 2019, reflecting increases in deposits related to PPP and other government stimulus programs. The net interest margin was 3.67% for the nine months ended September 30, 2020, down from 3.90% for the first nine months of 2019. The average yield on PPP loans was 2.38%, comparatively lower than the average yields on other taxable loans in 2020 and 2019, contributing to the margin compression. Accretion and amortization of purchase accounting valuation adjustments had a net positive impact on net interest income of \$1,999,000 in the first nine months of 2020 as compared to a net positive impact of \$408,000 in the first nine months of 2019. In addition to the impact of the Covenant acquisition and PPP, the significant drop in interest rates in 2020 contributed to changes in components of the net interest margin.
- For the first nine months of 2020, the provision for loan losses was \$3,293,000, an increase in expense of \$3,096,000 as compared to \$197,000 recorded in the first nine months of 2019. The provision included the impact of the \$2,219,000 charge-off of a commercial loan referenced above. In total, the provision for the first nine months of 2020 included a net charge of \$1,976,000 related to specific loans (net decrease in specific allowances on loans of \$400,000 and net charge-offs of \$2,376,000); a charge of \$745,000 from an increase in the net charge-off experience factors used to estimate the allowance; a charge of \$725,000 attributable to increases in qualitative factors; and a credit of \$153,000 from the impact of a reduction in outstanding loans, excluding PPP and recently purchased loans. The comparative provision for loan losses in the first nine months of 2019 included a benefit from eliminating specific allowances on commercial loans that were no longer considered impaired.
- Total noninterest income, excluding realized securities gains, for the first nine months of 2020 was up \$3,561,000 from the total for the first nine months of 2019. Significant variances included the following:
 - Net gains from sales of loans totaled \$3,931,000 in the first nine months of 2020, an increase of \$3,313,000 over the total for the first nine months of 2019. As noted above, the increase reflects an increase in volume of mortgage loans sold, resulting mainly from lower interest rates.
 - Other noninterest income totaled \$2,321,000, an increase of \$884,000 over 2019. Income from realization of tax credits was \$349,000 higher in the first nine months of 2020 as compared to 2019. In 2020, income from a life insurance arrangement in which benefits were split between C&N and heirs of a former employee was \$279,000. Dividend income from Federal Home Loan Bank stock was up \$130,000, reflecting a higher average balance of stock held due to increased borrowings and credit card interchange income increased \$50,000.
 - Trust and financial management revenue of \$4,639,000 was \$217,000 (4.9%) higher in the first nine months of 2020 as compared to 2019, reflecting the impact of fees from new business growth in 2019.
 - Interchange revenue from debit card transactions totaled \$2,277,000 for the first nine months of 2020, an increase of \$213,000, reflecting an increase in transaction volumes.

- Service charges on deposit accounts of \$3,126,000 in the first nine months of 2020 were down \$837,000 (21.1%) from the total for the first nine months of 2019, as the volume of consumer and business overdraft activity fell.
- Net revenue from loan servicing fees decreased \$268,000, as net fees were negative \$259,000 (a decrease in revenue) in the first nine months of 2020 as compared to net revenue of \$9,000 in the first nine months of 2019. The fair value of mortgage servicing rights decreased \$617,000 in the first nine months of 2020, as compared to a decrease of \$312,000 in the first nine months of 2019.
- Noninterest expense, excluding merger-related expenses, increased \$6,230,000 for the nine months ended September 30, 2020 over the total for the first nine months of 2019. Significant variances included the following:
 - Total salaries and wages and benefits expenses increased \$3,523,000, reflecting: inclusion of Covenant for three months in 2020 and the former Monument operations for nine months in 2020 as compared to six months in 2019; annual merit-based salary adjustments; an increase in overtime pay related mainly to mortgage lending activity; a reduction in expense due to a higher proportion of payroll costs capitalized (added to the carrying value of loans) due to the high volume of PPP loans originated; and an increase in health care expense due to higher claims on C&N's partially self-insured plan.
 - Data processing expenses increased \$742,000, including the impact of increases in software licensing and maintenance costs associated with core banking, lending, trust and other functions as well as professional fees associated with analysis of C&N's online delivery channel.
 - Other noninterest expense increased \$640,000. Within this category, significant variances included the following:
 - Other operational losses increased \$534,000, including an estimated accrual of \$300,000 for penalties related to certain information returns in the second quarter 2020 and an estimated accrual of \$200,000 related to a state tax reporting matter in the third quarter 2020.
 - Donations expense increased \$434,000, mainly due to an increase in donations associated with the Pennsylvania Educational Improvement Tax Credit program.
 - Expenses related to other real estate properties decreased \$285,000. The reduction resulted from the completion in the first quarter 2020 of a complex commercial workout situation for which a significant amount of expenses were incurred in 2019. Also, net losses from sales or write-downs of other real estate properties totaled \$30,000 for the first nine months of 2020, down from \$128,000 for the first nine months of 2019.
 - Professional fees expense increased \$470,000, including costs associated with a change in certain trust administrative activities to handle them on an outsourced basis.
 - Occupancy expense increased \$239,000, primarily reflecting an increase due to the Covenant acquisition.
 - Pennsylvania shares tax expense increased \$232,000, reflecting the impact of an increase in Citizens & Northern Bank's stockholder's equity.
- The income tax provision was \$2,509,000 for the nine months ended September 30, 2020, down from \$2,770,000 for the first nine months of 2019. Pre-tax income was \$1,855,000 lower in the first nine months of 2020 as compared to 2019. The effective tax rate was 16.7% for the first nine months of 2020, slightly higher than the 16.5% effective tax rate for the first nine months of 2019.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$2,352,793,000 at September 30, 2020, up from \$1,745,466,000 at June 30, 2020 and up 43.2% from \$1,642,587,000 at September 30, 2019.
- Net loans outstanding (excluding mortgage loans held for sale) were \$1,680,617,000 at September 30, 2020, up from \$1,230,387,000 at June 30, 2020 and up 48.7% from \$1,130,143,000 at September 30, 2019. In comparing outstanding balances at September 30, 2020 and 2019, total commercial loans were up \$500.8 million (93.7%), including PPP loans of \$163.1 million, total residential mortgage loans were higher by \$54.4 million (9.3%) and total consumer loans were down \$3.2 million (15.5%). The outstanding balance of residential mortgage loans originated and serviced by C&N that have been sold to third parties was \$254,462,000 at September 30, 2020, up \$76.9 million (43.3%) from September 30, 2019.
- The recorded investment in PPP loans at September 30, 2020 of \$163.1 million included contractual principal balances totaling \$166.7 million, adjusted by net deferred loan origination fees and a market rate adjustment on PPP loans acquired from Covenant. The term of most of the PPP loans is two years, with repayment from the SBA to occur sooner to the extent the loans are forgiven. Through September 30, 2020, none of the PPP loans originated by C&N or Covenant had been submitted to the SBA to be processed for forgiveness.
- To work with clients impacted by COVID-19, C&N is offering short-term loan modifications (deferrals) on a case-by-case basis to borrowers who were current in their payments prior to modification. Prior to the merger, Covenant had a similar program in place for qualifying borrowers, and these modified loans have been incorporated into C&N's program. These loans are not reported as past due or troubled debt restructurings during the deferral period. Most of the deferrals under this program were originated in March and the second quarter 2020, typically for 90-day to 180-day periods. At September 30, 2020, there were 44 loans, with an aggregate recorded investment of approximately \$41.6 million, that remained in deferral status under the program. In comparison, at June 30, 2020, C&N and Covenant (combined) had 693 loans with an aggregate recorded investment of \$241.2 million in deferral status.
- Total nonperforming assets as a percentage of total assets was 1.17% at September 30, 2020, down from 1.33% at June 30, 2020 and up from 0.86% at September 30, 2019. Total nonperforming assets increased to \$27.5 million at September 30, 2020 from \$23.2 million at June 30, 2020, reflecting the addition of loans considered impaired upon their purchase from Covenant ("PCI Loans"). C&N identified Covenant loans with a total amortized cost basis of \$10.0 million at the time of acquisition as PCI and reduced their carrying value upon acquisition by \$2.9 million to \$7.1 million. The carrying value of total PCI Loans was \$7.4 million at September 30, 2020, up from \$305,000 at June 30, 2020.
- The recorded investment in loans classified as troubled debt restructurings (TDRs) was \$8.0 million at September 30, 2020, up from \$1.1 million at June 30, 2020. In the third quarter 2020, C&N granted concessions on loans related to three commercial relationships for which the borrowers were experiencing financial difficulty and for which management determined the circumstances did not qualify for exemption from TDR reporting status.
- The allowance for loan losses was \$10.8 million at September 30, 2020, or 0.64% of total loans as compared to \$11.0 million or 0.89% of total loans at June 30, 2020. Effective July 1, 2020, C&N recorded loans purchased from Covenant at fair value. Excluding PCI loans, the remainder of the portfolio was determined to be performing and was valued at \$457.6 million at July 1, 2020. The calculation of fair value included a discount for credit losses of \$7.2 million, reflecting an estimate of the present value of credit losses based on market expectations. None of the performing loans purchased from Covenant were found to be impaired in the third quarter 2020; accordingly, there was no allowance for loan losses on loans purchased from Covenant at September 30, 2020.
- Deposits and repo sweep accounts totaled \$1,873,827,000 at September 30, 2020, up from \$1,383,382,000 at June 30, 2020, and up 44.3% from \$1,298,649,000 at September 30, 2019.

- Total shareholders' equity was \$296,316,000 at September 30, 2020, up from \$255,791,000 at June 30, 2020 and \$242,939,000 at September 30, 2019. In the third quarter 2020, shareholders' equity increased \$41.6 million from common stock issued in the Covenant acquisition. Within shareholders' equity, the portion of accumulated other comprehensive income related to available-for-sale debt securities was \$11,376,000 at September 30, 2020, down slightly from \$11,472,000 at June 30, 2020 and up from \$4,173,000 at September 30, 2019. Fluctuations in accumulated other comprehensive income 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 September 30, 2020, 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 \$1,012,986,000 at September 30, 2020, up 2.9% from \$984,853,000 at June 30, 2020 and 5.6% from \$959,215,000 at September 30, 2019. Fluctuations in values of assets under management reflect the impact of high recent market volatility attributable to COVID-19 and other factors.

Citizens & Northern Corporation is the bank holding company for Citizens & Northern Bank, headquartered in Wellsboro, Pennsylvania which operates 29 banking offices located in Bradford, Bucks, Cameron, Chester, Lycoming, McKean, Potter, Sullivan and Tioga Counties in Pennsylvania and Steuben County in New York, as well as loan production offices in Elmira, New York and Warminster and York, Pennsylvania. 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

September 30, 2020

QUARTERLY REPORT

Dear Shareholder:

The COVID-19 pandemic remained the dominant national and local news during the third quarter of 2020. The learning curve around the health impact of the virus has been steep and progress has been made on treatment protocols and a number of potential vaccines. However, there are ongoing uncertainties and actions to reopen the economy, travel, educational institutions, hospitality, and recreational activities have been inconsistent and tentative. Overall activity was more “normal” than in the spring but fears and concerns persist in communities across the country. And, as activity has increased, so has reliable data regarding the spread of the virus and projections for a second wave moving into fall. C&N continues to coordinate efforts to not only comply with directives, best practices, and government mandates but also to support the health and welfare of our Team, customers, and communities through our active pandemic committee. We are committed to playing our essential role in supporting a return to “normal” with calm, persistence, and confidence.

Financial markets stabilized during the quarter as measured by the major stock market averages and liquidity in the bond and money markets. Congress and the administration were unable to agree on a second round of stimulus, but the unprecedented action by the Federal Reserve and Congress at the start of the pandemic provided ongoing support. As of September 30th, interest rates remained at historic lows, the major stock indices were buoyed by the large cap tech companies, new unemployment claims were well below earlier pandemic levels, and around half of those who lost jobs earlier had either been rehired or found new employment. With all that being said, we still lack clarity on the ultimate impact of the virus on our long-term health, the economy, and culture.

On July 1st, we completed the acquisition of Covenant Bank that was announced late in 2019. Adding Covenant to the 2019 acquisition of Monument Bank adds \$900 million in loans and deposits to our franchise in a growth region and enhances C&N’s capacity to serve customers and communities in southeastern Pennsylvania. Data processing and computer systems were converted in late August, completing the initial stages of integration. We are completing work on meshing our new team members with the existing crew, and market leadership is updating the regional plan to expand our presence, products and services as we look forward to 2020.

As mentioned earlier, there is still uncertainty regarding future economic growth. Early in the pandemic, we turned our attention to supporting customers with PPP loans, payment deferrals, cash management, and investment guidance through our wealth management group. As the economy began to open up, the mortgage lending business quickly reached record levels which persisted throughout the third quarter. PPP loans totaling over \$160 million remain on our balance sheet at September 30, 2020, as we move into the forgiveness phase during the fourth quarter. Many PPP customers continue to hold unusually large deposit balances pending forgiveness, and this combination of elevated loans and deposits will have a meaningful impact on our financial results until the forgiveness process is completed.

C&N’s third quarter results were significantly impacted by merger activity in both 2019 and 2020. After adjusting for merger related expenses and gains on the sale of securities in both 2019 and 2020, third quarter net income increased from \$5.4 million to \$7.9 million or 46%. Earnings per share, on the same adjusted basis increased 25% to \$.50 per share, with the difference between net income and EPS growth attributable to the additional shares issued in the Covenant acquisition. Net interest income increased 35%, although there was a .24% compression in the net interest margin. The provision for loan losses of \$1.9 million was 68% greater than the \$1.2 million provision during the third quarter of 2019. The provision for loan losses in the third quarter 2020 is primarily attributable to the net impact of resolving a large problem loan. Noninterest income increased by approximately 40% primarily due to record gains on the sale of mortgage loans. Noninterest expenses, excluding merger-related expenses, were 28% above the third quarter of 2019, driven primarily by the Covenant acquisition.

On the same adjusted basis, net income grew by 8% and earnings per share declined by 3% for the first nine months of 2020 compared to the same period in 2019. The primary driver of this decline was the provision for loan losses which was \$3.3 million during the first nine months of 2020 compared to \$197,000 for the same period in 2019, or a difference of \$3.1 million. Net interest income increased 19% reflecting the benefits of growth related to the Monument and Covenant acquisitions. Total noninterest income grew by 25% year to date compared to 2019 with gains on mortgage sales as the primary driver, although a variety of other sources also contributed. Noninterest expenses, excluding merger-related expenses, increased 19%. This growth was substantially due to the inclusion of former Monument operations for nine months during 2020 compared to six months in 2019 and the inclusion of Covenant expenses in the third quarter of 2020, although higher data processing costs, professional fees and various other expenses also contributed.

It is important to note once again, that C&N entered the COVID crisis, and related uncertainties, in a position of strength. This is especially evident in our capital ratios, which are at levels that demonstrate the capacity to absorb the acquisition of Covenant as well as significant credit losses, if they arise, while continuing to meet regulatory requirements to be considered well capitalized. A further indication of this strength was the Board's declaration of the regular quarterly cash dividend of \$.27 per share to shareholders of record on November 2, 2020, payable on November 13, 2020.

Finally, it is most appropriate to recognize the ongoing efforts of the C&N Team. Their commitment to our customers and communities, through their support of one another, has been inspiring. They have done so while navigating the challenges of COVID and a substantial acquisition. They are fully engaged in our mission, whether in the office or from their homes, and continue to create long-term value by positively impacting the lives of everyone connected with C&N.

Thank you to our shareholders for your confidence in this team and support of your Company.



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	3RD QUARTER 2020 <u>(Current)</u>	3RD QUARTER 2019 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$21,751	\$17,277	\$4,474	25.90%
Interest Expense	2,469	3,000	(531)	-17.70%
Net Interest Income	19,282	14,277	5,005	35.06%
Provision for Loan Losses	1,941	1,158	783	67.62%
Net Interest Income After Provision for Loan Losses	17,341	13,119	4,222	32.18%
Noninterest Income	6,970	4,963	2,007	40.44%
Net Gains on Available-for-sale Debt Securities	25	13	12	92.31%
Merger-Related Expenses	6,402	206	6,196	3007.77%
Other Noninterest Expenses	14,648	11,486	3,162	27.53%
Income Before Income Tax Provision	3,286	6,403	(3,117)	-48.68%
Income Tax Provision	438	1,096	(658)	-60.04%
Net Income	\$2,848	\$5,307	(\$2,459)	-46.34%
Net Income Attributable to Common Shares (1)	\$2,830	\$5,281	(\$2,451)	-46.41%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.18	\$0.39	(\$0.21)	-53.85%
Net Income - Diluted	\$0.18	\$0.39	(\$0.21)	-53.85%
Dividend Per Share - Quarterly	\$0.27	\$0.27	\$0.00	0.00%
Number of Shares Used in Computation - Basic	15,778,391	13,627,676		
Number of Shares Used in Computation - Diluted	15,779,721	13,646,818		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	9 MONTHS ENDED SEPT. 30,			
	2020 <u>(Current)</u>	2019 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$55,301	\$47,481	\$7,820	16.47%
Interest Expense	7,491	7,284	207	2.84%
Net Interest Income	47,810	40,197	7,613	18.94%
Provision for Loan Losses	3,293	197	3,096	1571.57%
Net Interest Income After Provision for Loan Losses	44,517	40,000	4,517	11.29%
Noninterest Income	17,779	14,218	3,561	25.05%
Net Gains on Available-for-sale Debt Securities	25	20	5	25.00%
Merger-Related Expenses	7,526	3,818	3,708	97.12%
Other Noninterest Expenses	39,834	33,604	6,230	18.54%
Income Before Income Tax Provision	14,961	16,816	(1,855)	-11.03%
Income Tax Provision	2,509	2,770	(261)	-9.42%
Net Income	\$12,452	\$14,046	(\$1,594)	-11.35%
Net Income Attributable to Common Shares (1)	\$12,378	\$13,974	(\$1,596)	-11.42%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.86	\$1.06	(\$0.20)	-18.87%
Net Income - Diluted	\$0.86	\$1.06	(\$0.20)	-18.87%
Dividend Per Share - Quarterly	\$0.81	\$0.81	\$0.00	0.00%
Dividend Per Share - Special	\$0.00	\$0.10	(\$0.10)	-100.00%
Number of Shares Used in Computation - Basic	14,388,797	13,182,960		
Number of Shares Used in Computation - Diluted	14,393,429	13,206,244		

(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)

	SEPT. 30, 2020	SEPT. 30, 2019	SEPT. 30, 2020 vs 2019	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$174,478	\$51,443	\$123,035	239.17%
Available-for-sale Debt Securities	340,545	363,467	(22,922)	-6.31%
Loans Held for Sale	1,200	2,033	(833)	-40.97%
Loans, Net	1,680,617	1,130,143	550,474	48.71%
Bank-Owned Life Insurance	29,942	18,535	11,407	61.54%
Bank Premises and Equipment, Net	21,504	16,038	5,466	34.08%
Intangible Assets	56,585	29,939	26,646	89.00%
Other Assets	47,922	30,989	16,933	54.64%
TOTAL ASSETS	\$2,352,793	\$1,642,587	\$710,206	43.24%
LIABILITIES				
Deposits	\$1,871,514	\$1,294,882	\$576,632	44.53%
Repo Sweep Accounts	2,313	3,767	(1,454)	-38.60%
Total Deposits and Repo Sweeps	1,873,827	1,298,649	575,178	44.29%
Borrowed Funds	141,344	75,714	65,630	86.68%
Subordinated Debt	16,572	7,000	9,572	136.74%
Other Liabilities	24,734	18,285	6,449	35.27%
TOTAL LIABILITIES	2,056,477	1,399,648	656,829	46.93%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated				
Other Comprehensive Income	284,707	238,479	46,228	19.38%
Accumulated Other Comprehensive Income:				
Net Unrealized Gains/Losses on				
Available-for-sale Debt Securities	11,376	4,173	7,203	172.61%
Defined Benefit Plans	233	287	(54)	-18.82%
TOTAL SHAREHOLDERS' EQUITY	296,316	242,939	53,377	21.97%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$2,352,793	\$1,642,587	\$710,206	43.24%

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 NINE MONTHS ENDED		% INCREASE (DECREASE)
	SEPT. 30,		
	<u>2020</u>	<u>2019</u>	
EARNINGS PERFORMANCE			
Net Income	\$12,452	\$14,046	-11.35%
Return on Average Assets (Annualized)	0.87%	1.25%	-30.40%
Return on Average Equity (Annualized)	6.26%	8.33%	-24.85%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$2,352,793	\$1,642,587	43.24%
Available-for-Sale Debt Securities	340,545	363,467	-6.31%
Loans (Net)	1,680,617	1,130,143	48.71%
Allowance for Loan Losses	10,753	9,257	16.16%
Deposits and Repo Sweep Accounts	1,873,827	1,298,649	44.29%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$254,462	\$177,561	43.31%
Trust Assets Under Management	1,012,986	959,215	5.61%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$0.86	\$1.06	-18.87%
Net Income - Diluted	\$0.86	\$1.06	-18.87%
Dividends - Quarterly	\$0.81	\$0.81	0.00%
Dividends - Special	\$0.00	\$0.10	-100.00%
Common Book Value	\$18.65	\$17.73	5.19%
Tangible Common Book Value (a)	\$15.09	\$15.54	-2.90%
Market Value (Last Trade)	\$16.24	\$26.28	-38.20%
Market Value / Common Book Value	87.08%	148.22%	-41.25%
Market Value / Tangible Common Book Value	107.62%	169.11%	-36.36%
Price Earnings Multiple (Annualized)	14.16	18.59	-23.83%
Dividend Yield (Annualized, Excluding Special Dividend)	6.65%	4.11%	61.80%
Common Shares Outstanding, End of Period	15,890,353	13,703,022	15.96%

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)

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

	AS OF OR FOR THE NINE MONTHS ENDED		% INCREASE (DECREASE)
	SEPT. 30, 2020	2019	
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets (a)	10.44%	13.21%	-20.97%
Nonperforming Assets / Total Assets	1.17%	0.86%	36.05%
Allowance for Loan Losses / Total Loans	0.64%	0.81%	-20.99%
Total Risk Based Capital Ratio (b)	17.04%	20.43%	-16.59%
Tier 1 Risk Based Capital Ratio (b)	15.20%	18.94%	-19.75%
Common Equity Tier 1 Risk Based Capital Ratio (b)	15.20%	18.94%	-19.75%
Leverage Ratio (b)	9.94%	13.11%	-24.18%
AVERAGE BALANCES			
Average Assets	\$1,909,844	\$1,503,262	27.05%
Average Equity	\$265,276	\$224,874	17.97%
EFFICIENCY RATIO (c)			
Net Interest Income on a Fully Taxable-Equivalent Basis (c)	\$48,524	\$41,009	18.33%
Noninterest Income	17,779	14,218	25.05%
Total (1)	\$66,303	\$55,227	20.06%
Noninterest Expense Excluding Merger Expenses (2)	\$39,834	\$33,604	18.54%
Efficiency Ratio = (2)/(1)	60.08%	60.85%	-1.27%

(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	\$2,352,793	\$1,642,587
Less: Intangible Assets, Primarily Goodwill	(56,585)	(29,939)
Tangible Assets	\$2,296,208	\$1,612,648
Total Shareholders' Equity	\$296,316	\$242,939
Less: Intangible Assets, Primarily Goodwill	(56,585)	(29,939)
Tangible Common Equity (3)	\$239,731	\$213,000
Common Shares Outstanding, End of Period (4)	15,890,353	13,703,022
Tangible Common Book Value per Share = (3)/(4)	\$15.09	\$15.54

(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 were incurred in the acquisition of Covenant Financial, Inc., which closed July 1, 2020. Also excluded are expenses related to the acquisition of Monument Bancorp, Inc., which closed April 1, 2019.

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

For the Three Months Ended:

	September 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
Interest income	\$21,751	\$16,513	\$17,037	\$17,290	\$17,277	\$17,139	\$13,065
Interest expense	2,469	2,267	2,755	2,999	3,000	2,934	1,350
Net interest income	19,282	14,246	14,282	14,291	14,277	14,205	11,715
Provision (credit) for loan losses	1,941	(176)	1,528	652	1,158	(4)	(957)
Net interest income after provision (credit) for loan losses	17,341	14,422	12,754	13,639	13,119	14,209	12,672
Noninterest income	6,970	5,528	5,281	5,066	4,963	4,849	4,406
Net gains on securities	25	0	0	3	13	7	0
Merger-related expenses	6,402	983	141	281	206	3,301	311
Other noninterest expenses	14,648	12,274	12,912	11,834	11,486	11,422	10,696
Income before income tax provision	3,286	6,693	4,982	6,593	6,403	4,342	6,071
Income tax provision	438	1,255	816	1,135	1,096	693	981
Net income	\$2,848	\$5,438	\$4,166	\$5,458	\$5,307	\$3,649	\$5,090
Net income attributable to common shares	\$2,830	\$5,405	\$4,146	\$5,431	\$5,281	\$3,630	\$5,063
Basic earnings per common share	\$0.18	\$0.39	\$0.30	\$0.40	\$0.39	\$0.27	\$0.41
Diluted earnings per common share	\$0.18	\$0.39	\$0.30	\$0.40	\$0.39	\$0.27	\$0.41

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

As of:

	September 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
ASSETS							
Cash & Due from Banks	\$174,478	\$77,642	\$32,678	\$35,202	\$51,443	\$39,505	\$44,002
Available-for-sale Debt Securities	340,545	332,188	342,416	346,723	363,467	363,465	357,646
Loans Held for Sale	1,200	1,258	579	767	2,033	1,131	0
Loans, Net	1,680,617	1,230,387	1,156,143	1,172,386	1,130,143	1,108,483	817,136
Bank-Owned Life Insurance	29,942	18,843	18,745	18,641	18,535	18,430	18,331
Bank Premises and Equipment, Net	21,504	18,332	18,023	17,170	16,038	16,114	14,663
Intangible Assets	56,585	29,511	29,573	29,635	29,939	30,013	11,949
Other Assets	47,922	37,305	31,288	33,621	30,989	32,544	26,273
TOTAL ASSETS	\$2,352,793	\$1,745,466	\$1,629,445	\$1,654,145	\$1,642,587	\$1,609,685	\$1,290,000
LIABILITIES							
Deposits	\$1,871,514	\$1,381,178	\$1,249,912	\$1,252,660	\$1,294,882	\$1,284,143	\$1,039,911
Repo Sweep Accounts	2,313	2,204	2,407	1,928	3,767	3,192	5,132
Total Deposits and Repo Sweeps	1,873,827	1,383,382	1,252,319	1,254,588	1,298,649	1,287,335	1,045,043
Borrowed Funds	141,344	85,104	108,144	136,419	75,714	62,574	32,844
Subordinated Debt	16,572	6,500	6,500	6,500	7,000	7,000	0
Other Liabilities	24,734	14,689	11,254	12,186	18,285	13,060	9,986
TOTAL LIABILITIES	2,056,477	1,489,675	1,378,217	1,409,693	1,399,648	1,369,969	1,087,873
SHAREHOLDERS' EQUITY							
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income	284,707	244,080	241,754	240,761	238,479	236,284	202,768
Accumulated Other Comprehensive Income: Net Unrealized Gains (Losses) on Available-for-sale Securities	11,376	11,472	9,230	3,511	4,173	3,138	(941)
Defined Benefit Plans Adjustment, Net	233	239	244	180	287	294	300
TOTAL SHAREHOLDERS' EQUITY	296,316	255,791	251,228	244,452	242,939	239,716	202,127
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$2,352,793	\$1,745,466	\$1,629,445	\$1,654,145	\$1,642,587	\$1,609,685	\$1,290,000

AVAILABLE-FOR-SALE DEBT SECURITIES (In Thousands)	September 30, 2020		June 30, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of the U.S. Treasury	\$12,228	\$12,226	\$0	\$0	\$0	\$0
Obligations of U.S. Government agencies	15,348	16,355	10,706	11,673	16,380	17,000
Obligations of states and political subdivisions:						
Tax-exempt	104,821	109,668	86,897	91,643	68,787	70,760
Taxable	42,079	44,195	38,022	39,784	35,446	36,303
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:						
Residential pass-through securities	44,697	46,211	49,852	51,520	58,875	59,210
Residential collateralized mortgage obligations	67,635	69,337	87,527	89,435	115,025	114,723
Commercial mortgage-backed securities	39,337	42,553	44,664	48,133	47,765	48,727
Total Available-for-Sale Debt Securities	\$326,145	\$340,545	\$317,668	\$332,188	\$342,278	\$346,723

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

	Sept. 30, 2020	June 30, 2020	Dec. 31, 2019	Sept. 30, 2019
Residential mortgage:				
Residential mortgage loans - first liens	\$541,827	\$493,214	\$510,641	\$487,425
Residential mortgage loans - junior liens	27,907	25,632	27,503	29,056
Home equity lines of credit	40,143	31,826	33,638	35,492
1-4 Family residential construction	29,146	15,621	14,798	32,699
Total residential mortgage	639,023	566,293	586,580	584,672
Commercial:				
Commercial loans secured by real estate	530,874	293,304	301,227	297,519
Commercial and industrial	156,169	120,202	126,374	115,213
Small Business Administration - Paycheck Protection Program	163,050	97,103	0	0
Political subdivisions	47,883	43,134	53,570	46,466
Commercial construction and land	41,906	40,348	33,555	22,386
Loans secured by farmland	11,913	11,433	12,251	7,103
Multi-family (5 or more) residential	62,330	32,699	31,070	27,633
Agricultural loans	3,561	3,874	4,319	5,145
Other commercial loans	17,385	16,579	16,535	12,828
Total commercial	1,035,071	658,676	578,901	534,293
Consumer	17,276	16,444	16,741	20,435
Total	1,691,370	1,241,413	1,182,222	1,139,400
Less: allowance for loan losses	(10,753)	(11,026)	(9,836)	(9,257)
Loans, net	\$1,680,617	\$1,230,387	\$1,172,386	\$1,130,143

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

	Sept. 30, 2020	June 30, 2020	Dec. 31, 2019	Sept. 30, 2019
Residential mortgage loans originated and serviced - outstanding balance	\$255,662	\$212,036	\$179,213	\$179,594
Less: outstanding balance of loans sold	(254,462)	(210,778)	(178,446)	(177,561)
Loans held for sale, net	\$1,200	\$1,258	\$767	\$2,033

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended Sept. 30, 2020	3 Months Ended June 30, 2020	9 Months Ended Sept. 30, 2020	9 Months Ended Sept. 30, 2019
Balance, beginning of period	\$11,026	\$11,330	\$9,836	\$9,309
Charge-offs	(2,249)	(146)	(2,443)	(295)
Recoveries	35	18	67	46
Net (charge-offs)	(2,214)	(128)	(2,376)	(249)
Provision (credit) for loan losses	1,941	(176)	3,293	197
Balance, end of period	\$10,753	\$11,026	\$10,753	\$9,257

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

	Sept. 30, 2020	June 30, 2020	Dec 31, 2019	Sept. 30, 2019
Impaired loans with a valuation allowance	\$8,085	\$12,189	\$3,375	\$3,027
Impaired loans without a valuation allowance	3,080	1,786	1,670	2,475
Purchased credit impaired loans	7,447	305	441	441
Total impaired loans	\$18,612	\$14,280	\$5,486	\$5,943

Total loans past due 30-89 days and still accruing	\$3,499	\$5,124	\$8,889	\$5,230
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Nonperforming assets:				
Purchased credit impaired loans	\$7,447	\$305	\$441	\$441
Other nonaccrual loans	15,349	18,458	8,777	8,579
Total nonaccrual loans	22,796	18,763	9,218	9,020
Total loans past due 90 days or more and still accruing	2,308	2,812	1,207	2,395
Total nonperforming loans	25,104	21,575	10,425	11,415
Foreclosed assets held for sale (real estate)	2,369	1,593	2,886	2,762
Total nonperforming assets	\$27,473	\$23,168	\$13,311	\$14,177

Loans subject to troubled debt restructurings (TDRs):				
Performing	\$258	\$265	\$889	\$924
Nonperforming	7,779	790	1,737	1,744
Total TDRs	\$8,037	\$1,055	\$2,626	\$2,668

Total nonperforming loans as a % of loans	1.48%	1.74%	0.88%	1.00%
Total nonperforming assets as a % of assets	1.17%	1.33%	0.80%	0.86%
Allowance for loan losses as a % of total loans	0.64%	0.89%	0.83%	0.81%
Allowance for loan losses as a % of nonperforming loans	42.83%	51.11%	94.35%	81.10%

SUMMARY OF SELECTED FAIR VALUE ADJUSTMENTS RELATED TO ACQUISITION OF COVENANT FINANCIAL, INC.

(In Thousands)

	Loans	Deposits	Borrowed Funds	Subordinated Debt
Amortized cost at acquisition	\$472,012	\$479,846	\$62,700	\$10,000
Fair value adjustments:				
Market rates	2,909	1,950	1,275	91
Credit adjustment on non-impaired loans	(7,219)			
Credit adjustment on impaired loans	(2,910)			
Fair value at acquisition	\$464,792	\$481,796	\$63,975	\$10,091
Increase (decrease) in interest income recognized in third quarter 2020 from fair value adjustments related to:				
Market rates	(\$612)			
Credit adjustment on non-impaired loans	847			
Total	\$235			
(Decrease) in interest expense recognized in third quarter 2020 from fair value adjustments related to market rates		(\$535)	(\$213)	(\$19)

ADJUSTMENTS TO GROSS AMORTIZED COST OF LOANS - TOTAL INCLUDING ACQUISITIONS OF COVENANT FINANCIAL, INC. AND MONUMENT BANCORP, INC.

(In Thousands)

	3 Months Ended		9 Months Ended	
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
Market Rate Adjustment				
Adjustments to gross amortized cost of loans at beginning of period	(\$1,103)	(\$1,658)	(\$1,415)	\$0
Market rate adjustment recorded in acquisition	2,909	0	2,909	(1,807)
(Amortization) accretion recognized in interest income	(452)	110	(140)	259
Adjustments to gross amortized cost of loans at end of period	\$1,354	(\$1,548)	\$1,354	(\$1,548)
Credit Adjustment on Non-impaired Loans				
Adjustments to gross amortized cost of loans at beginning of period	(\$878)	(\$1,653)	(\$1,216)	\$0
Credit adjustment recorded in acquisition	(7,219)	0	(7,219)	(1,914)
Accretion recognized in interest income	970	260	1,308	521
Adjustments to gross amortized cost of loans at end of period	(\$7,127)	(\$1,393)	(\$7,127)	(\$1,393)

PURCHASED CREDIT IMPAIRED (PCI) LOANS - TOTAL INCLUDING PCI LOANS ACQUIRED FROM COVENANT FINANCIAL, INC. AND MONUMENT BANCORP, INC.

(In Thousands)

	Sept. 30, 2020	Dec. 31, 2019
Outstanding balance	\$10,453	\$759
Carrying amount	7,447	441

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

	3 Months Ended 9/30/2020 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 6/30/2020 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2019 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Interest-bearing due from banks	\$147,543	0.19%	\$37,799	0.44%	\$26,539	2.38%
Available-for-sale debt securities, at amortized cost:						
Taxable	227,483	2.59%	244,019	2.27%	285,114	2.41%
Tax-exempt	94,058	2.95%	82,050	3.09%	69,472	3.34%
Total available-for-sale debt securities	321,541	2.70%	326,069	2.48%	354,586	2.59%
Loans receivable:						
Taxable	1,480,247	4.91%	1,094,432	4.99%	1,062,578	5.38%
Paycheck Protection Program (Taxable)	162,234	2.18%	77,832	2.79%	0	
Tax-exempt	63,111	3.57%	59,177	3.75%	67,741	3.74%
Total loans receivable	1,705,592	4.60%	1,231,441	4.79%	1,130,319	5.28%
Other earning assets	3,361	3.55%	2,206	3.65%	1,515	2.88%
Total Earning Assets	2,178,037	4.02%	1,597,515	4.22%	1,512,959	4.60%
Cash	33,291		18,960		22,341	
Unrealized gain/loss on securities	15,277		12,574		4,915	
Allowance for loan losses	(11,473)		(11,471)		(8,322)	
Bank-owned life insurance	30,078		18,779		18,468	
Bank premises and equipment	21,763		18,230		16,103	
Intangible assets	57,008		29,543		29,986	
Other assets	48,451		30,723		29,808	
Total Assets	\$2,372,432		\$1,714,853		\$1,626,258	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$382,997	0.28%	\$260,177	0.31%	\$232,549	0.62%
Money market	386,848	0.38%	215,441	0.43%	200,873	0.52%
Savings	201,401	0.11%	183,933	0.12%	170,583	0.15%
Time deposits	449,964	0.96%	343,257	1.52%	385,538	1.82%
Total interest-bearing deposits	1,421,210	0.50%	1,002,808	0.72%	989,543	0.99%
Borrowed funds:						
Short-term	44,660	0.65%	19,844	1.30%	25,823	2.24%
Long-term	102,857	1.40%	72,917	1.73%	48,953	2.24%
Subordinated debt	16,540	5.94%	6,500	6.56%	6,998	6.58%
Total borrowed funds	164,057	1.65%	99,261	1.96%	81,774	2.62%
Total Interest-bearing Liabilities	1,585,267	0.62%	1,102,069	0.83%	1,071,317	1.11%
Demand deposits	463,333		346,285		300,183	
Other liabilities	26,367		15,891		13,584	
Total Liabilities	2,074,967		1,464,245		1,385,084	
Stockholders' equity, excluding accumulated other comprehensive income/loss	285,158		240,434		237,000	
Accumulated other comprehensive income/loss	12,307		10,174		4,174	
Total Shareholders' Equity	297,465		250,608		241,174	
Total Liabilities and Shareholders' Equity	\$2,372,432		\$1,714,853		\$1,626,258	
Interest Rate Spread		3.40%		3.39%		3.49%
Net Interest Income/Earning Assets		3.57%		3.65%		3.81%
Total Deposits (Interest-bearing and Demand)	\$1,884,543		\$1,349,093		\$1,289,726	

(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)**

	9 Months Ended 9/30/2020 Average Balance	Rate of Return/ Cost of Funds %	9 Months Ended 9/30/2019 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Interest-bearing due from banks	\$68,537	0.37%	\$23,104	2.45%
Available-for-sale debt securities, at amortized cost:				
Taxable	245,487	2.42%	285,332	2.53%
Tax-exempt	82,030	3.05%	74,469	3.58%
Total available-for-sale debt securities	327,517	2.58%	359,801	2.75%
Loans receivable:				
Taxable	1,228,521	5.04%	950,948	5.41%
Paycheck Protection Program (Taxable)	80,322	2.38%	0	
Tax-exempt	60,893	3.71%	69,944	3.83%
Total loans receivable	1,369,736	4.82%	1,020,892	5.30%
Other earning assets	2,346	3.47%	1,344	3.08%
Total Earning Assets	1,768,136	4.23%	1,405,141	4.60%
Cash	23,467		19,880	
Unrealized gain/loss on securities	12,021		97	
Allowance for loan losses	(10,988)		(8,676)	
Bank-owned life Insurance	22,539		18,533	
Bank premises and equipment	19,251		15,615	
Intangible assets	38,786		24,058	
Other assets	36,632		28,614	
Total Assets	\$1,909,844		\$1,503,262	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$290,420	0.33%	\$216,851	0.56%
Money market	268,095	0.43%	192,366	0.48%
Savings	184,829	0.13%	167,116	0.14%
Time deposits	391,827	1.35%	332,651	1.65%
Total interest-bearing deposits	1,135,171	0.67%	908,984	0.86%
Borrowed funds:				
Short-term	36,492	1.23%	26,382	2.30%
Long-term	80,030	1.62%	39,655	2.44%
Subordinated debt	9,871	6.22%	4,692	6.58%
Total borrowed funds	126,393	1.87%	70,729	2.66%
Total Interest-bearing Liabilities	1,261,564	0.79%	979,713	0.99%
Demand deposits	364,200		285,339	
Other liabilities	18,804		13,336	
Total Liabilities	1,644,568		1,278,388	
Stockholders' equity, excluding accumulated other comprehensive income/loss	255,545		224,519	
Accumulated other comprehensive income/loss	9,731		355	
Total Shareholders' Equity	265,276		224,874	
Total Liabilities and Shareholders' Equity	\$1,909,844		\$1,503,262	
Interest Rate Spread		3.44%		3.61%
Net Interest Income/Earning Assets		3.67%		3.90%
 Total Deposits (Interest-bearing and Demand)	 \$1,499,371		 \$1,194,323	

(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			Nine Months Ended	
	Sept 30, 2020	June 30, 2020	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019
Trust and financial management revenue	\$1,595	\$1,565	\$1,479	\$4,639	\$4,422
Brokerage revenue	351	343	333	1,027	1,001
Insurance commissions, fees and premiums	41	52	71	126	149
Service charges on deposit accounts	1,045	831	1,436	3,126	3,963
Service charges and fees	83	84	91	230	259
Interchange revenue from debit card transactions	828	718	722	2,277	2,064
Net gains from sales of loans	2,052	1,564	310	3,931	618
Loan servicing fees, net	(87)	(158)	(54)	(259)	9
Increase in cash surrender value of life insurance	159	98	105	361	296
Other noninterest income	903	431	470	2,321	1,437
Total noninterest income, excluding realized gains on securities, net	\$6,970	\$5,528	\$4,963	\$17,779	\$14,218

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Nine Months Ended	
	Sept 30, 2020	June 30, 2020	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019
Salaries and wages	\$6,833	\$5,364	\$5,480	\$17,537	\$15,249
Pensions and other employee benefits	1,870	1,619	1,449	5,527	4,292
Occupancy expense, net	806	664	654	2,215	1,976
Furniture and equipment expense	383	311	333	1,052	967
Data processing expenses	1,251	1,040	802	3,309	2,567
Automated teller machine and interchange expense	340	275	297	912	763
Pennsylvania shares tax	422	423	341	1,267	1,035
Professional fees	422	464	242	1,265	795
Telecommunications	231	213	197	650	537
Directors' fees	175	178	162	523	486
Other noninterest expense	1,915	1,723	1,529	5,577	4,937
Total noninterest expense, excluding merger-related expenses	14,648	12,274	11,486	39,834	33,604
Merger-related expenses	6,402	983	206	7,526	3,818
Total noninterest expense	\$21,050	\$13,257	\$11,692	\$47,360	\$37,422