

October 20, 2022

Contact: Charity Frantz
570-724-0225
charityf@cnbankpa.com

C&N DECLARES DIVIDEND AND ANNOUNCES THIRD QUARTER 2022 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, 2022.

Dividend Declared and Unaudited Financial Information

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

Highlights related to C&N’s third quarter and September 30, 2022 year-to-date unaudited U.S. GAAP earnings results as compared to the second quarter 2022 and third quarter of 2021 are presented below.

Third Quarter 2022 as Compared to Second Quarter 2022

Net income was \$4,455,000, or \$0.29 per diluted share, for the third quarter 2022 as compared to \$7,489,000, or \$0.48 per diluted share, in the second quarter 2022.

- Net interest income totaled \$20,879,000 in the third quarter 2022, up \$1,254,000 from the second quarter 2022. The increase in net interest income reflected the benefits of an increase of \$67,370,000 in average earning assets, funded mainly by increases in average deposits of \$35,592,000 (1.8% or 7.3% annualized) and borrowed funds of \$27,340,000. Average loans outstanding increased \$85,386,000 (5.4% or 21.5% annualized) from the second quarter, while average total interest-bearing due from banks and available-for-sale debt securities decreased \$19,620,000. The net interest rate spread decreased 0.01%, as the average yield on earning assets increased 0.26% to 4.18%, while the average rate on interest-bearing liabilities increased 0.27% to 0.72%. The net interest margin was 3.69% in the third quarter 2022, up from 3.62% in the second quarter 2022.
- The provision for loan losses was \$3,794,000 in the third quarter 2022, up \$3,486,000 from the second quarter 2022 provision of \$308,000. The third quarter 2022 provision included net charge-offs of \$2,171,000 and an increase of \$1,623,000 in the collectively determined portion of the allowance. In the third quarter 2022, C&N recorded a partial charge-off of \$2,160,000 on a commercial real estate secured loan with a principal balance of \$6,920,000 at the time of charge-off. The charge-off resulted from the borrower’s default due to deterioration in financial performance accompanied by a significant decrease in the appraised value of property at a recently closed facility that had been one of the primary sources of collateral on the loan.
- Noninterest income of \$5,651,000 in the third quarter 2022 decreased \$1,179,000 from the second quarter 2022 amount. Significant variances included the following:
 - Other noninterest income of \$622,000 decreased \$834,000 from the second quarter 2022 total, including a decrease in income from tax credits of \$795,000. In the second quarter, income from tax credits included credits of \$720,000 on the PA Educational Improvement Tax Credit Program donations noted below.

- Service charges on deposit accounts of \$1,105,000 decreased \$217,000 from the second quarter 2022, including the impact of accrued refunds of consumer overdraft fees totaling \$290,000 as the result of updated regulatory guidance on certain overdraft fees.
- Loan Servicing fees, net of \$189,000 decreased \$169,000 from the second quarter 2022. The fair value of servicing rights decreased \$23,000 in the third quarter 2022 as compared to an increase of \$149,000 in the second quarter 2022 mainly due to changes in assumptions related to prepayments of mortgage loans.
- Net gains from sales of loans of \$131,000 decreased \$89,000 from the second quarter 2022, reflecting a reduction in volume of residential mortgage loans sold.
- Brokerage and insurance revenue of \$696,000 increased \$130,000 from the second quarter 2022, due to commissions on higher transaction volume.
- Noninterest expense of \$17,443,000 in the third quarter 2022 increased \$404,000 from the second quarter 2022 amount. Significant variances included the following:
 - Salaries and employee benefits expense of \$10,826,000 increased \$561,000 from the second quarter 2022 total, including an increase in base salaries expense of \$203,000 reflecting staffing increases for treasury management services (commercial depository), lending, and administrative functions, and payments made to all non-executive employees totaling \$192,000 to help offset significant inflation in 2022.
 - Net occupancy and equipment expense of \$1,498,000 increased \$190,000 from the second quarter 2022 total, including accelerated depreciation expense of \$205,000 related to planned closures of two branches in November 2022.
 - Other noninterest expense of \$1,995,000 decreased \$436,000 from the second quarter 2022 total. Within this category, significant variances included the following:
 - Donations expense was down \$839,000, as the second quarter 2022 total included donations of \$800,000 relating to the PA Educational Improvement Tax Credit Program.
 - Other operational losses were \$23,000 in the third quarter 2022, compared to a net reduction in expense of \$272,000 in the second quarter 2022. Trust Department tax compliance penalties that had been assessed in previous years and accrued in 2020 were abated in the second quarter 2022, resulting in a reduction in expense of \$301,000.
- The income tax provision was \$858,000, or 16.1% of pre-tax income for the third quarter 2022, down from \$1,618,000, or 17.8% of pre-tax income for the second quarter 2022. The decrease in income tax provision reflected the decrease in pre-tax income of \$3,794,000 for the quarter.

Third Quarter 2022 as Compared to Third Quarter 2021

Third quarter 2022 net income was \$4,455,000, or \$0.29 per diluted share, as compared to \$7,399,000, or \$0.47 per diluted share, in the third quarter 2021. Significant variances were as follows:

- Third quarter 2022 net interest income of \$20,879,000 was \$1,420,000 higher than the third quarter 2021 total. The net interest rate spread remained unchanged at 3.46%, as the average yield on earning assets increased 0.29% to 4.18%, and the average rate on interest-bearing liabilities increased 0.29% to 0.72%. The net interest margin was 3.69% in the third quarter 2022, up from 3.59% in the third quarter 2021. Total interest and fees from loans excluding loans originated under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) were \$20,602,000 in the third quarter 2022, an increase of

\$3,144,000 from the third quarter 2021 total of \$17,458,000. Total interest and fees from SBA PPP loans were \$118,000 in the third quarter 2022, a decrease of \$1,521,000 from the third quarter 2021 total of \$1,639,000. Interest income from available-for-sale debt securities, on a fully taxable-equivalent basis, increased \$939,000 in the third quarter 2022 as compared to the third quarter 2021, as the average balance (at amortized cost) of available-for-sale debt securities increased \$173.8 million. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of \$400,000 in the third quarter 2022 as compared to a net positive impact of \$563,000 in the third quarter 2021. Average outstanding loans increased \$82.4 million, despite a reduction in average PPP loans of \$83.0 million. Average loans, excluding PPP loans, were up \$165.5 million in the third quarter 2022 over the third quarter 2021, an increase of 11.0%. Average total deposits increased \$61.8 million (3.2%).

- The provision for loan losses was \$3,794,000 in the third quarter 2022, up \$2,264,000 from \$1,530,000 in the third quarter 2021. As noted above, the provision in the third quarter 2022 included the impact of recognizing a partial charge-off of \$2,160,000 on a commercial real estate secured loan. In comparison, the third quarter 2021 provision included a net charge of \$611,000 related to specific loans (net charge-offs of \$1,205,000 offset by a net decrease in specific allowances on loans of \$594,000), and an increase of \$919,000 in the collectively determined portion of the allowance. In the third quarter 2021, C&N recorded a partial charge-off of \$1,194,000 on a commercial loan with an outstanding balance of \$3,496,000 at the time of the charge-off.
- Noninterest income of \$5,651,000 in the third quarter 2022 decreased \$708,000 from the third quarter 2021 amount. Significant variances included the following:
 - Net gains from sales of loans of \$131,000 decreased \$666,000 from the third quarter 2021, reflecting a reduction in volume of residential mortgage loans sold.
 - Service charges on deposit accounts of \$1,105,000 decreased \$144,000 from the third quarter 2021. In the third quarter 2022, C&N recorded accrued refunds of consumer overdraft fees totaling \$290,000 as the result of updated regulatory guidance on certain overdraft fees.
 - Brokerage and insurance revenue of \$696,000 increased \$136,000 from the third quarter 2021, due to commissions on higher transaction volume.
- Noninterest expense of \$17,443,000 in the third quarter 2022 increased \$2,097,000 from the third quarter 2021 amount. Significant variances included the following:
 - Salaries and employee benefits of \$10,826,000 increased \$1,399,000 from the third quarter 2021 total, including an increase in base salaries expense of \$992,000. In addition to the impact of merit-based salary increases, the number of employees increased, reflecting expansion of the Southcentral PA market with the opening of an office in Lancaster as well as additions to staffing for information technology (IT), human resources and other functions. In total, the number of full-time equivalent employees (FTEs) increased by 21 (5.4%) to 412 in the third quarter 2022 as compared to the third quarter 2021. Also within this category, there was an increase in health care expense of \$220,000 due to higher claims on C&N's partially self-insured plan.
 - Net occupancy and equipment expense of \$1,498,000 increased \$281,000 from the third quarter 2021 total, including accelerated depreciation expense of \$205,000 related to planned closures of two branches in November 2022.
 - Data processing and telecommunications of \$1,719,000 increased \$244,000 from the third quarter 2021 total, including the impact of increases in software licensing and maintenance costs as well as costs related to enhancements of data management capabilities.

- The income tax provision was \$858,000, or 16.1% of pre-tax income for the third quarter 2022, down from \$1,566,000, or 17.5% of pre-tax income for the third quarter 2021. The decrease in income tax provision reflected the decrease in pre-tax income of \$3,652,000.

Nine Months Ended September 30, 2022 as Compared to Nine Months Ended September 30, 2021

Net income for the nine-month period ended September 30, 2022 was \$18,839,000, or \$1.21 per diluted share, while net income for the first nine months of 2021 was \$23,246,000 or \$1.46 per diluted share. Significant variances were as follows:

- For the nine-month period ended September 30, 2022, net interest income of \$60,836,000 was \$2,613,000 higher than in the same period in 2021. Interest income from available-for-sale debt securities, on a fully taxable-equivalent basis, increased \$2,883,000 in 2022 as compared to 2021, as the average balance (at amortized cost) of available-for-sale debt securities increased \$192.7 million. Total interest and fees on loans increased \$623,000 in 2022 as compared to 2021. Interest and fees on loans included \$1,585,000 in 2022 and \$35,000 in 2021 from repayments received on purchased credit impaired loans in excess of previous carrying amounts. Total interest and fees from PPP loans were \$899,000 in 2022, a decrease of \$3,987,000 from the 2021 total of \$4,886,000. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of \$1,347,000 in 2022 as compared to a net positive impact of \$2,228,000 in 2021. Average outstanding loans decreased \$6.9 million, including a reduction in average PPP loans of \$106.2 million. Average loans, excluding PPP loans, were up \$99.3 million (6.6%) in the first nine months of 2022 as compared to the first nine months of 2021. Average total deposits increased \$68.6 million (3.6%) in comparing the first nine months of 2022 over the total for the first nine months of 2021.
- For the first nine months of 2022, the provision for loan losses was \$4,993,000, an increase in expense of \$2,460,000 as compared to \$2,533,000 recorded in the first nine months of 2021. The provision for the first nine months of 2022 includes \$2,047,000 related to specific loans (net decrease in specific allowances on loans of \$313,000 and net charge-offs of \$2,360,000), an increase of \$2,617,000 in the collectively determined portion of the allowance and a \$329,000 increase in the unallocated portion. In comparison, the provision for loan losses in the first nine months of 2021 includes \$1,176,000 related to specific loans (net charge-offs of \$1,218,000 and a decrease in specific allowances on loans of \$42,000), an increase of \$1,271,000 in the collectively determined portion of the allowance and an \$86,000 increase in the unallocated portion.
- Noninterest income of \$18,302,000 for the first nine months of 2022 decreased \$1,139,000 from the total for the first nine months of 2021. Significant variances included the following:
 - Net gains from sales of loans of \$733,000 decreased \$2,053,000 reflecting a reduction in volume of residential mortgage loans sold.
 - Brokerage and insurance revenue of \$1,784,000 increased \$392,000, due to commissions on higher transaction volumes.
 - Service charges on deposit accounts of \$3,662,000 increased \$325,000 as the volume of consumer and business overdraft and other activity increased partially offset by the impact of accrued refunds of \$290,000 related to consumer overdraft fees.
 - Loan servicing fees, net of \$757,000 increased \$210,000, reflecting growth in volume of residential mortgage loans sold with servicing retained. Further, the fair value of servicing rights increased \$128,000 in 2022 as compared to a decrease of \$9,000 in 2021 mainly due to changes in assumptions related to prepayments of mortgage loans.

- Other noninterest income totaled \$2,666,000, a decrease of \$171,000. Within this category, the fair value of a marketable equity security decreased \$114,000 in 2022 as compared to a decrease of \$19,000 in 2021.
- Noninterest expense of \$51,368,000 for the first nine months of 2022 increased \$4,914,000 from the total for the first nine months of 2021. Significant variances included the following:
 - Salaries and employee benefits of \$31,698,000 increased \$3,877,000, including an increase in base salaries expense of \$2.8 million reflecting merit-based salary increases and an increase in number of personnel related to expansion of the Southcentral PA market with the opening of an office in Lancaster. Additional increases include an increase in health care expense of \$665,000 due to higher claims on C&N's partially self-insured plan, \$227,000 due to a lower portion of payroll costs capitalized (added to the carrying value of loans) due to the high volume of PPP loans originated in 2021, and \$204,000 related to payroll taxes. Decreases include a reduction in estimated cash and stock-based incentive compensation expense of \$126,000 and severance expense of \$248,000 in 2021 with no comparable amount in 2022.
 - Data processing and telecommunications of \$5,062,000 increased \$720,000, including the impact of increases in software licensing and maintenance costs as well as costs related to enhancements of data management capabilities.
 - Net occupancy and equipment expense of \$4,217,000 increased \$477,000, including computer supplies and repairs and maintenance related to IT and Digital departments and increases related to a new branch location in Lancaster, PA as well as accelerated depreciation expense of \$205,000 related to planned closures of two branches in November 2022.
 - Professional fees of \$1,490,000 decreased \$193,000, mainly due to decreases in recruiting services and PPP loan processing-related professional fees.
- The income tax provision of \$3,959,000, or 17.4% of pre-tax income for the nine months ended September 30, 2022 decreased \$1,497,000 from \$5,456,000, or 19.0% of pre-tax income for the nine months ended September 30, 2021. The lower provision in 2022 includes the impact of a reduction in pre-tax income. The lower effective tax rate in 2022 includes the impact of the \$301,000 reduction in expense from the reversal of tax penalties being non-taxable.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$2,400,180,000 at September 30, 2022, down from \$2,410,718,000 at June 30, 2022 and up from \$2,354,896,000 at September 30, 2021.
- Cash & due from banks totaled \$64,044,000 at September 30, 2022, down from \$69,187,000 at June 30, 2022 and \$198,995,000 at September 30, 2021. The decrease in cash reflects the deployment of otherwise excess cash to available-for-sale securities and loans to enhance net interest income.
- The amortized cost of available-for-sale debt securities decreased to \$559,837,000 at September 30, 2022 from \$572,794,000 at June 30, 2022 and increased from \$429,883,000 at September 30, 2021. The fair value of available-for-sale debt securities at September 30, 2022 was lower than the amortized cost basis by \$71,857,000, or 12.8%. In comparison, the aggregate unrealized loss position was \$45,957,000 (8.0%) at June 30, 2022 and there was an unrealized gain of \$7,974,000 (1.9%) at September 30, 2021. The unrealized decrease in fair value of the portfolio in 2022 has resulted from an increase in interest rates. Management reviewed the available-for-sale debt securities as of September 30, 2022 and concluded there were no credit-related declines in fair value and that the unrealized losses on all of the securities in an unrealized loss position are considered temporary.

- Deferred tax asset, net totaled \$22,327,000 at September 30, 2022, up from \$16,331,000 at June 30, 2022 and \$5,128,000 at September 30, 2021. The increase in the deferred tax asset, net included the impact of deferred tax on the unrealized loss on available-for-sale debt securities referred to above.
- Net loans outstanding (excluding mortgage loans held for sale) were \$1,674,076,000 at September 30, 2022, up 1.9% or 7.6% annualized from \$1,643,057,000 at June 30, 2022 and up 7.1% from \$1,563,008,000 at September 30, 2021. Loans outstanding, excluding PPP loans, totaled \$1,688,211,000 at September 30, 2022, an increase of \$36,859,000 (2.2%) from total loans excluding PPP loans at June 30, 2022 and an increase of \$175,231,000 (11.6%) from total loans excluding PPP loans at September 30, 2021. In comparing outstanding balances at September 30, 2022 and 2021, total commercial loans were up \$103.0 million (10.5%), reflecting a reduction in PPP loans of \$60.7 million and an increase in other commercial loans of \$163.7 million, total residential mortgage loans were higher by \$11.1 million (1.9%) and total consumer loans were up \$0.4 million (2.1%). The outstanding balance of residential mortgage loans originated and serviced by C&N that have been sold to third parties was \$331.7 million at September 30, 2022, up \$0.3 million (0.9%) from September 30, 2021.
- Total nonperforming assets as a percentage of total assets was 0.87% at September 30, 2022, up from 0.62% at June 30, 2022 and down from 1.05% at September 30, 2021. Total nonperforming assets were \$20.9 million at September 30, 2022, up from \$14.8 million at June 30, 2022 and down from \$24.6 million at September 30, 2021. Similarly, total impaired loans increased to \$13.3 million at September 30, 2022 from \$8.6 million at June 30, 2022 and decreased from \$18.0 million at September 30, 2021. The increase in impaired loans and nonperforming assets at September 30, 2022 as compared to June 30, 2022 included the impact of classifying the commercial real estate secured loan referred to above with a carrying balance of \$4.8 million net of charge-off at September 30, 2022 as impaired and nonperforming.
- The allowance for loan losses was \$16.2 million at September 30, 2022, or 0.96% of total loans as compared to \$14.5 million or 0.88% of total loans at June 30, 2022 and \$12.7 million or 0.81% of total loans at September 30, 2021. The increase in the allowance for loan losses at September 30, 2022 includes the impact of an increase in the collectively determined portion of the allowance due to several factors, including an increase in the net charge-off experience factor reflecting the \$2,160,000 partial charge-off referred to above. In 2020 and 2019, C&N recorded performing loans purchased from other financial institutions at fair value. The calculations of fair value included discounts for credit losses, reflecting an estimate of the present value of credit losses based on market expectations. The total allowance for loan losses and the credit adjustment on purchased performing loans at September 30, 2022 was \$18.3 million, or 1.08% of total loans receivable and the credit adjustment. The comparative ratios were 1.02% at June 30, 2022, and 1.05% at September 30, 2021.
- Deposits totaled \$2,039,595,000 at September 30, 2022, up 3.8% from \$1,964,270,000 at June 30, 2022 and up 5.1% from \$1,940,141,000 at September 30, 2021.
- Borrowed funds, including Federal Home Loan Bank advances, repurchase agreements, senior notes and subordinated debt, totaled \$97,249,000 at September 30, 2022, down from \$166,119,000 at June 30, 2022 and up from \$88,228,000 at September 30, 2021. Overnight Federal Home Loan Bank borrowings decreased to \$0 at September 30, 2022 from \$88.5 million at June 30, 2022.
- Total stockholders' equity was \$238,789,000 at September 30, 2022, down from \$258,619,000 at June 30, 2022 and \$299,402,000 at September 30, 2021. Within stockholders' equity, the portion of accumulated other comprehensive (loss) related to available-for-sale debt securities was (\$56,766,000) at September 30, 2022 and (\$36,307,000) at June 30, 2022, as compared to accumulated other comprehensive income of \$6,300,000 at September 30, 2021. The decrease in stockholders' equity at September 30, 2022 related to accumulated other comprehensive (loss) income from available-for-sale debt securities has been caused by recent, significant increases in interest rates. Accumulated other comprehensive income (loss) is excluded from C&N's regulatory capital ratios.

- In February 2021, C&N amended its existing treasury stock repurchase program. Under the amended program, C&N is authorized to repurchase up to 1,000,000 shares of the Corporation's common stock, or 6.25% of the Corporation's issued and outstanding shares at February 18, 2021. In the third quarter 2022, 10,269 shares were repurchased for a total cost of \$246,000, at an average price of \$23.97 per share. Cumulatively through September 30, 2022, 674,700 shares have been repurchased for a total cost of \$16,586,000, at an average price of \$24.58 per share.
- Citizens & Northern Bank is subject to various regulatory capital requirements. At September 30, 2022, Citizens & Northern Bank maintains regulatory capital ratios that exceed all capital adequacy requirements. Management expects the Bank to remain well-capitalized for the foreseeable future.
- Trust assets under management by C&N's Wealth Management Group amounted to \$1,003,785,000 at September 30, 2022, down 4.9% from \$1,055,290,000 at June 30, 2022 and 15.2% from \$1,183,900,000 at September 30, 2021. Fluctuations in values of assets under management reflect the impact of recent high market volatility.
- Under U.S. GAAP, interest income on tax-exempt securities and loans are reported at their nominal amounts, with the tax benefit accounted for as a reduction in the income tax provision. The Corporation presents certain analyses and ratios with net interest income determined on a fully taxable-equivalent basis, which are non-GAAP financial measures as presented. The Corporation believes presentation of net interest income on a fully taxable-equivalent basis provides investors with meaningful information for purposes of comparing the returns on tax-exempt securities and loans with returns on taxable securities and loans. The excess of net interest income on a fully taxable-equivalent basis over the amounts reported under U.S. GAAP were \$309,000, \$312,000, and \$292,000 for the third quarter 2022, second quarter 2022 and third quarter 2021, respectively. The excess of net interest income over the amounts reported under U.S. GAAP were \$923,000 for the nine months ended September 30, 2022 and \$833,000 for the nine months ended September 30, 2021.

Citizens & Northern Corporation is the bank holding company for Citizens & Northern Bank, headquartered in Wellsboro, Pennsylvania which operates 31 banking offices located in Bradford, Bucks, Cameron, Chester, Lycoming, McKean, Potter, Sullivan, Tioga, York and Lancaster Counties in Pennsylvania and Steuben County in New York, as well as a loan production office in Elmira, New York. Citizens & Northern Corporation trades on NASDAQ under the symbol "CZNC." For more information about Citizens & Northern Bank and Citizens & Northern Corporation, visit www.cnbankpa.com.

Safe Harbor Statement: Except for historical information contained herein, the matters discussed in this release are forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the following: 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; C&N's credit standards and its on-going credit assessment processes might not protect it from significant credit losses; the effect of the novel coronavirus (COVID-19) and related events; legislative or regulatory changes; downturn in demand for loan, deposit and other financial services in C&N's market area; increased competition from other banks and non-bank providers of financial services; technological changes and increased technology-related costs; information security breach or other technology difficulties or failures; changes in accounting principles, or the application of generally accepted accounting principles; and failure to achieve merger-related synergies and difficulties in integrating the business and operations of acquired institutions. 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.

EXHIBIT 99.2 – Supplemental, Unaudited Financial Information

CITIZENS&NORTHERN
CORPORATION

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

	3RD QUARTER 2022 (Current)	3RD QUARTER 2021 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$ 23,710	\$ 21,073	\$ 2,637	12.51 %
Interest Expense	2,831	1,614	1,217	75.40 %
Net Interest Income	20,879	19,459	1,420	7.30 %
Provision for Loan Losses	3,794	1,530	2,264	147.97 %
Net Interest Income After Provision for Loan Losses	17,085	17,929	(844)	(4.71)%
Noninterest Income	5,651	6,359	(708)	(11.13)%
Net Gains on Available-for-sale Debt Securities	20	23	(3)	(13.04)%
Noninterest Expense	17,443	15,346	2,097	13.66 %
Income Before Income Tax Provision	5,313	8,965	(3,652)	(40.74)%
Income Tax Provision	858	1,566	(708)	(45.21)%
Net Income	\$ 4,455	\$ 7,399	\$ (2,944)	(39.79)%
Net Income Attributable to Common Shares (1)	\$ 4,416	\$ 7,336	\$ (2,920)	(39.80)%
PER COMMON SHARE DATA:				
Net Income - Basic	\$ 0.29	\$ 0.47	\$ (0.18)	(38.30)%
Net Income - Diluted	\$ 0.29	\$ 0.47	\$ (0.18)	(38.30)%
Dividends Per Share	\$ 0.28	\$ 0.28	\$ 0.00	0.00 %
Number of Shares Used in Computation - Basic	15,364,075	15,703,932		
Number of Shares Used in Computation - Diluted	15,367,189	15,710,345		

	NINE MONTHS ENDED September 30,			
	2022 (Current)	2021 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$ 66,792	\$ 63,255	\$ 3,537	5.59 %
Interest Expense	5,956	5,032	924	18.36 %
Net Interest Income	60,836	58,223	2,613	4.49 %
Provision for Loan Losses	4,993	2,533	2,460	97.12 %
Net Interest Income After Provision for Loan Losses	55,843	55,690	153	0.27 %
Noninterest Income	18,302	19,441	(1,139)	(5.86)%
Net Gains on Available-for-sale Debt Securities	21	25	(4)	(16.00)%
Noninterest Expense	51,368	46,454	4,914	10.58 %
Income Before Income Tax Provision	22,798	28,702	(5,904)	(20.57)%
Income Tax Provision	3,959	5,456	(1,497)	(27.44)%
Net Income	\$ 18,839	\$ 23,246	\$ (4,407)	(18.96)%
Net Income Attributable to Common Shares (1)	\$ 18,670	\$ 23,057	\$ (4,387)	(19.03)%
PER COMMON SHARE DATA:				
Net Income - Basic	\$ 1.21	\$ 1.46	\$ (0.25)	(17.12)%
Net Income - Diluted	\$ 1.21	\$ 1.46	\$ (0.25)	(17.12)%
Dividends Per Share	\$ 0.84	\$ 0.83	\$ 0.01	1.20 %
Number of Shares Used in Computation - Basic	15,482,672	15,806,897		
Number of Shares Used in Computation - Diluted	15,485,948	15,813,129		

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

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

	September 30, 2022	September 30, 2021	\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$ 64,044	\$ 198,995	\$ (134,951)	(67.82)%
Available-for-sale Debt Securities	487,980	437,857	50,123	11.45 %
Loans, Net	1,674,076	1,563,008	111,068	7.11 %
Bank-Owned Life Insurance	31,075	30,530	545	1.79 %
Bank Premises and Equipment, Net	21,881	20,526	1,355	6.60 %
Deferred Tax Asset, Net	22,327	5,128	17,199	335.39 %
Intangible Assets	55,492	55,955	(463)	(0.83)%
Other Assets	43,305	42,897	408	0.95 %
TOTAL ASSETS	\$ 2,400,180	\$ 2,354,896	\$ 45,284	1.92 %
LIABILITIES				
Deposits	\$ 2,039,595	\$ 1,940,141	\$ 99,454	5.13 %
Borrowed Funds - Federal Home Loan Bank and Repurchase Agreements	57,920	40,555	17,365	42.82 %
Senior Notes, Net	14,749	14,685	64	0.44 %
Subordinated Debt, Net	24,580	32,988	(8,408)	(25.49)%
Other Liabilities	24,547	27,125	(2,578)	(9.50)%
TOTAL LIABILITIES	2,161,391	2,055,494	105,897	5.15 %
STOCKHOLDERS' EQUITY				
Common Stockholders' Equity, Excluding Accumulated Other Comprehensive (Loss) Income	295,258	292,997	2,261	0.77 %
Accumulated Other Comprehensive (Loss) Income:				
Net Unrealized (Losses) Gains on Available-for-sale Debt Securities	(56,766)	6,300	(63,066)	(1,001.05)%
Defined Benefit Plans	297	105	192	182.86 %
TOTAL STOCKHOLDERS' EQUITY	238,789	299,402	(60,613)	(20.24)%
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 2,400,180	\$ 2,354,896	\$ 45,284	1.92 %

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS
(Dollars In Thousands, Except Per Share Data)
(Unaudited)

	FOR THE THREE MONTHS ENDED September 30,		% INCREASE (DECREASE)
	2022	2021	
EARNINGS PERFORMANCE			
Net Income	\$ 4,455	\$ 7,399	(39.79)%
Return on Average Assets (Annualized)	0.74 %	1.26 %	(41.27)%
Return on Average Equity (Annualized)	6.85 %	9.77 %	(29.89)%

	AS OF OR FOR THE NINE MONTHS ENDED September 30,		% INCREASE (DECREASE)
	2022	2021	
EARNINGS PERFORMANCE			
Net Income	\$ 18,839	\$ 23,246	(18.96)%
Return on Average Assets (Annualized)	1.06 %	1.34 %	(20.90)%
Return on Average Equity (Annualized)	9.20 %	10.28 %	(10.51)%

BALANCE SHEET HIGHLIGHTS			
Total Assets	\$ 2,400,180	\$ 2,354,896	1.92 %
Available-for-Sale Debt Securities	487,980	437,857	11.45 %
Loans, Net	1,674,076	1,563,008	7.11 %
Allowance for Loan Losses	16,170	12,700	27.32 %
Deposits	2,039,595	1,940,141	5.13 %

OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$ 331,675	\$ 328,659	0.92 %
Trust Assets Under Management	1,003,785	1,183,900	(15.21)%

STOCKHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$ 1.21	\$ 1.46	(17.12)%
Net Income - Diluted	\$ 1.21	\$ 1.46	(17.12)%
Dividends	\$ 0.84	\$ 0.83	1.20 %
Common Book Value	\$ 15.41	\$ 19.01	(18.94)%
Tangible Common Book Value (a)	\$ 11.83	\$ 15.46	(23.48)%
Market Value (Last Trade)	\$ 24.18	\$ 25.26	(4.28)%
Market Value / Common Book Value	156.91 %	132.88 %	18.08 %
Market Value / Tangible Common Book Value	204.40 %	163.39 %	25.10 %
Price Earnings Multiple (Annualized)	15.02	12.95	15.98 %
Dividend Yield (Annualized)	4.63 %	4.39 %	5.47 %
Common Shares Outstanding, End of Period	15,500,416	15,750,250	(1.59)%

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)
(Dollars In Thousands, Except Per Share Data)
(Unaudited)

	AS OF OR FOR THE NINE MONTHS ENDED		% INCREASE (DECREASE)
	September 30, 2022	2021	
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets (a)	7.82 %	10.59 %	(26.16)%
Nonperforming Assets / Total Assets	0.87 %	1.05 %	(17.14)%
Allowance for Loan Losses / Total Loans	0.96 %	0.81 %	18.52 %
Total Risk Based Capital Ratio (b)	15.86 %	18.57 %	(14.59)%
Tier 1 Risk Based Capital Ratio (b)	13.53 %	15.53 %	(12.88)%
Common Equity Tier 1 Risk Based Capital Ratio (b)	13.53 %	15.53 %	(12.88)%
Leverage Ratio (b)	10.04 %	10.34 %	(2.90)%
AVERAGE BALANCES			
Average Assets	\$ 2,359,863	\$ 2,310,531	2.14 %
Average Equity	\$ 273,129	\$ 301,474	(9.40)%
EFFICIENCY RATIO (c)			
Net Interest Income on a Fully Taxable-Equivalent			
Basis (c)	\$ 61,759	\$ 59,056	4.58 %
Noninterest Income	18,302	19,441	(5.86)%
Total (1)	\$ 80,061	\$ 78,497	1.99 %
Noninterest Expense (2)	\$ 51,368	\$ 46,454	10.58 %
Efficiency Ratio = (2)/(1)	64.16 %	59.18 %	8.42 %

(a) Tangible common book value per 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	\$ 2,400,180	\$ 2,354,896
Less: Intangible Assets, Primarily Goodwill	(55,492)	(55,955)
Tangible Assets	\$ 2,344,688	\$ 2,298,941
Total Stockholders' Equity	\$ 238,789	\$ 299,402
Less: Intangible Assets, Primarily Goodwill	(55,492)	(55,955)
Tangible Common Equity (3)	\$ 183,297	\$ 243,447
Common Shares Outstanding, End of Period (4)	15,500,416	15,750,250
Tangible Common Book Value per Share = (3)/(4)	\$ 11.83	\$ 15.46

(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%. A reconciliation of net interest income under U.S. GAAP as compared to net interest income as adjusted to a fully taxable-equivalent basis is provided in Exhibit 99.2 under the table "COMPARISON OF INTEREST INCOME AND EXPENSE".

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

	For the Three Months Ended :						
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Interest income	\$ 23,710	\$ 21,309	\$ 21,773	\$ 21,246	\$ 21,073	\$ 20,428	\$ 21,754
Interest expense	2,831	1,684	1,441	1,530	1,614	1,747	1,671
Net interest income	20,879	19,625	20,332	19,716	19,459	18,681	20,083
Provision for loan losses	3,794	308	891	1,128	1,530	744	259
Net interest income after provision for loan losses	17,085	19,317	19,441	18,588	17,929	17,937	19,824
Noninterest income	5,651	6,830	5,821	6,416	6,359	6,300	6,782
Net gains (losses) on securities	20	(1)	2	(1)	23	2	0
Noninterest expense	17,443	17,039	16,886	16,018	15,346	15,399	15,709
Income before income tax provision	5,313	9,107	8,378	8,985	8,965	8,840	10,897
Income tax provision	858	1,618	1,483	1,677	1,566	1,780	2,110
Net income	\$ 4,455	\$ 7,489	\$ 6,895	\$ 7,308	\$ 7,399	\$ 7,060	\$ 8,787
Net income attributable to common shares	\$ 4,416	\$ 7,419	\$ 6,835	\$ 7,256	\$ 7,336	\$ 6,999	\$ 8,722
Basic earnings per common share	\$ 0.29	\$ 0.48	\$ 0.44	\$ 0.46	\$ 0.47	\$ 0.44	\$ 0.55
Diluted earnings per common share	\$ 0.29	\$ 0.48	\$ 0.44	\$ 0.46	\$ 0.47	\$ 0.44	\$ 0.55

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

	As of: September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
ASSETS							
Cash & Due from Banks	\$ 64,044	\$ 69,187	\$ 114,346	\$ 104,948	\$ 198,995	\$ 208,860	\$ 207,145
Available-for-Sale Debt Securities	487,980	526,837	532,913	517,679	437,857	391,881	366,376
Loans, Net	1,674,076	1,643,057	1,523,919	1,551,312	1,563,008	1,585,481	1,602,926
Bank-Owned Life Insurance	31,075	30,941	30,805	30,670	30,530	30,391	30,247
Bank Premises and Equipment, Net	21,881	21,829	21,169	20,683	20,526	20,620	20,740
Deferred Tax Asset, Net	22,327	16,331	11,818	5,887	5,128	3,408	3,530
Intangible Assets	55,492	55,602	55,711	55,821	55,955	56,088	56,222
Other Assets	43,305	46,934	39,690	40,648	42,897	42,334	46,409
TOTAL ASSETS	\$ 2,400,180	\$ 2,410,718	\$ 2,330,371	\$ 2,327,648	\$ 2,354,896	\$ 2,339,063	\$ 2,333,595
LIABILITIES							
Deposits	\$ 2,039,595	\$ 1,964,270	\$ 1,960,952	\$ 1,925,060	\$ 1,940,141	\$ 1,916,809	\$ 1,923,925
Borrowed Funds - Federal Home Loan Bank and Repurchase Agreements	57,920	126,833	22,938	29,845	40,555	46,450	60,230
Senior Notes, Net	14,749	14,733	14,717	14,701	14,685	14,670	0
Subordinated Debt, Net	24,580	24,553	33,031	33,009	32,988	32,967	16,534
Other Liabilities	24,547	21,710	22,525	23,628	27,125	24,034	32,850
TOTAL LIABILITIES	2,161,391	2,152,099	2,054,163	2,026,243	2,055,494	2,034,930	2,033,539
STOCKHOLDERS' EQUITY							
Common Stockholders' Equity, Excluding Accumulated Other Comprehensive (Loss) Income	295,258	294,621	296,386	296,379	292,997	294,857	293,097
Accumulated Other Comprehensive (Loss) Income:							
Net Unrealized (Losses) Gains on Available-for-sale Securities	(56,766)	(36,307)	(20,492)	4,809	6,300	9,167	6,847
Defined Benefit Plans	297	305	314	217	105	109	112
TOTAL STOCKHOLDERS' EQUITY	238,789	258,619	276,208	301,405	299,402	304,133	300,056
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 2,400,180	\$ 2,410,718	\$ 2,330,371	\$ 2,327,648	\$ 2,354,896	\$ 2,339,063	\$ 2,333,595

AVAILABLE-FOR-SALE DEBT SECURITIES
(In Thousands)

	September 30, 2022		June 30, 2022		December 31, 2021		September 30, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of the U.S. Treasury	\$ 35,155	\$ 31,599	\$ 38,151	\$ 35,774	\$ 25,058	\$ 24,912	\$ 25,088	\$ 25,068
Obligations of U.S. Government agencies	23,939	21,389	24,454	22,785	23,936	24,091	23,935	24,312
Bank holding company debt securities	28,944	25,432	28,942	27,415	18,000	17,987	0	0
Obligations of states and political subdivisions:								
Tax-exempt	146,847	126,710	152,063	139,400	143,427	148,028	135,362	139,244
Taxable	69,902	58,317	72,204	63,898	72,182	72,765	69,426	70,493
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:								
Residential pass-through securities	116,833	102,739	114,367	106,043	98,048	98,181	59,920	60,629
Residential collateralized mortgage obligations	44,075	39,632	47,295	44,761	44,015	44,247	43,811	44,593
Commercial mortgage-backed securities	89,349	77,383	95,318	86,761	86,926	87,468	72,341	73,518
Private label commercial mortgage-backed securities	4,793	4,779	0	0	0	0	0	0
Total Available-for-Sale Debt Securities	<u>\$ 559,837</u>	<u>\$ 487,980</u>	<u>\$ 572,794</u>	<u>\$ 526,837</u>	<u>\$ 511,592</u>	<u>\$ 517,679</u>	<u>\$ 429,883</u>	<u>\$ 437,857</u>

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

	September 30, 2022	June 30, 2022	December 31, 2021	September 30, 2021
Commercial:				
Commercial loans secured by real estate	\$ 658,861	\$ 656,892	\$ 569,840	\$ 553,389
Commercial and industrial	172,258	171,999	159,073	152,244
Paycheck Protection Program - 1st Draw	24	44	1,356	5,747
Paycheck Protection Program - 2nd Draw	2,011	6,208	25,508	56,981
Political subdivisions	83,725	87,512	81,301	73,503
Commercial construction and land	76,194	58,786	60,579	53,267
Loans secured by farmland	12,839	12,967	11,121	10,812
Multi-family (5 or more) residential	59,315	53,753	50,089	52,962
Agricultural loans	2,492	2,628	2,351	3,092
Other commercial loans	14,636	15,767	17,153	17,312
Total commercial	<u>1,082,355</u>	<u>1,066,556</u>	<u>978,371</u>	<u>979,309</u>
Residential mortgage:				
Residential mortgage loans - first liens	492,854	482,505	483,629	494,376
Residential mortgage loans - junior liens	24,208	23,036	23,314	24,303
Home equity lines of credit	42,972	40,887	39,252	38,465
1-4 Family residential construction	29,950	26,071	23,151	21,719
Total residential mortgage	<u>589,984</u>	<u>572,499</u>	<u>569,346</u>	<u>578,863</u>
Consumer	<u>17,907</u>	<u>18,549</u>	<u>17,132</u>	<u>17,536</u>
Total	<u>1,690,246</u>	<u>1,657,604</u>	<u>1,564,849</u>	<u>1,575,708</u>
Less: allowance for loan losses	<u>(16,170)</u>	<u>(14,547)</u>	<u>(13,537)</u>	<u>(12,700)</u>
Loans, net	<u>\$ 1,674,076</u>	<u>\$ 1,643,057</u>	<u>\$ 1,551,312</u>	<u>\$ 1,563,008</u>

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended September 30, 2022	3 Months Ended June 30, 2022	9 Months Ended September 30, 2022	9 Months Ended September 30, 2021
Balance, beginning of period	\$ 14,547	\$ 14,271	\$ 13,537	\$ 11,385
Charge-offs	(2,196)	(41)	(2,417)	(1,278)
Recoveries	25	9	57	60
Net charge-offs	(2,171)	(32)	(2,360)	(1,218)
Provision for loan losses	3,794	308	4,993	2,533
Balance, end of period	\$ 16,170	\$ 14,547	\$ 16,170	\$ 12,700

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

	September 30, 2022	June 30, 2022	December 31, 2021	September 30, 2021
Impaired loans with a valuation allowance	\$ 8,156	\$ 3,392	\$ 6,540	\$ 7,225
Impaired loans without a valuation allowance	1,370	1,376	2,636	4,165
Purchased credit impaired loans	3,783	3,879	6,558	6,624
Total impaired loans	\$ 13,309	\$ 8,647	\$ 15,734	\$ 18,014
Total loans past due 30-89 days and still accruing	\$ 3,041	\$ 5,082	\$ 5,106	\$ 2,139
Nonperforming assets:				
Purchased credit impaired loans	\$ 3,783	\$ 3,879	\$ 6,558	\$ 6,624
Other nonaccrual loans	13,176	7,763	12,441	14,717
Total nonaccrual loans	16,959	11,642	18,999	21,341
Total loans past due 90 days or more and still accruing	3,499	2,694	2,219	1,924
Total nonperforming loans	20,458	14,336	21,218	23,265
Foreclosed assets held for sale (real estate)	454	505	684	1,374
Total nonperforming assets	\$ 20,912	\$ 14,841	\$ 21,902	\$ 24,639
Loans subject to troubled debt restructurings (TDRs):				
Performing	\$ 231	\$ 239	\$ 288	\$ 232
Nonperforming	3,960	3,965	5,517	5,591
Total TDRs	\$ 4,191	\$ 4,204	\$ 5,805	\$ 5,823
Total nonperforming loans as a % of total loans	1.21 %	0.86 %	1.36 %	1.48 %
Total nonperforming assets as a % of assets	0.87 %	0.62 %	0.94 %	1.05 %
Allowance for loan losses as a % of total loans	0.96 %	0.88 %	0.87 %	0.81 %
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (a)	1.08 %	1.02 %	1.08 %	1.05 %
Allowance for loan losses as a % of nonperforming loans	79.04 %	101.47 %	63.80 %	54.59 %
(a) Credit adjustment on purchased non-impaired loans at end of period	\$ 2,095	\$ 2,403	\$ 3,335	\$ 3,836
Allowance for loan losses	16,170	14,547	13,537	12,700
Total credit adjustment on purchased non-impaired loans at end of period and allowance for loan losses (1)	\$ 18,265	\$ 16,950	\$ 16,872	\$ 16,536
Total loans receivable	\$ 1,690,246	\$ 1,657,604	\$ 1,564,849	\$ 1,575,708
Credit adjustment on purchased non-impaired loans at end of period	2,095	2,403	3,335	3,836
Total (2)	\$ 1,692,341	\$ 1,660,007	\$ 1,568,184	\$ 1,579,544
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (1)/(2)	1.08 %	1.02 %	1.08 %	1.05 %

ADJUSTMENTS TO GROSS AMORTIZED COST OF LOANS
(In Thousands)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Market Rate Adjustment					
Adjustments to gross amortized cost of loans at beginning of period	\$ (866)	\$ (885)	\$ (5)	\$ (637)	\$ 718
Accretion (amortization) recognized in interest income	5	19	(368)	(224)	(1,091)
Adjustments to gross amortized cost of loans at end of period	<u>\$ (861)</u>	<u>\$ (866)</u>	<u>\$ (373)</u>	<u>\$ (861)</u>	<u>\$ (373)</u>
Credit Adjustment on Non-impaired Loans					
Adjustments to gross amortized cost of loans at beginning of period	\$ (2,403)	\$ (2,782)	\$ (4,502)	\$ (3,335)	\$ (5,979)
Accretion recognized in interest income	308	379	666	1,240	2,143
Adjustments to gross amortized cost of loans at end of period	<u>\$ (2,095)</u>	<u>\$ (2,403)</u>	<u>\$ (3,836)</u>	<u>\$ (2,095)</u>	<u>\$ (3,836)</u>

PURCHASED CREDIT IMPAIRED (PCI) LOANS
(In Thousands)

	September 30, 2022	June 30, 2022	September 30, 2021
Outstanding balance	\$ 5,564	\$ 5,766	\$ 10,064
Carrying amount	3,783	3,879	6,624

COMPARISON OF INTEREST INCOME AND EXPENSE
(In Thousands)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
INTEREST INCOME					
Interest-bearing due from banks	\$ 176	\$ 92	\$ 106	\$ 335	\$ 230
Available-for-sale debt securities:					
Taxable	2,138	2,036	1,304	6,143	3,604
Tax-exempt	947	959	842	2,811	2,467
Total available-for-sale debt securities	3,085	2,995	2,146	8,954	6,071
Loans receivable:					
Taxable	19,967	17,721	16,890	55,662	51,209
Paycheck Protection Program - 1st Draw	4	11	618	53	3,289
Paycheck Protection Program - 2nd Draw	114	195	1,021	846	1,597
Tax-exempt	635	588	568	1,796	1,639
Total loans receivable	20,720	18,515	19,097	58,357	57,734
Other earning assets	38	19	16	69	53
Total Interest Income	24,019	21,621	21,365	67,715	64,088
INTEREST EXPENSE					
Interest-bearing deposits:					
Interest checking	487	308	230	989	686
Money market	639	369	269	1,270	895
Savings	66	64	58	191	170
Time deposits	780	389	506	1,562	1,807
Total interest-bearing deposits	1,972	1,130	1,063	4,012	3,558
Borrowed funds:					
Short-term	179	122	0	302	22
Long-term - FHLB advances	332	55	87	436	330
Senior notes, net	119	120	118	357	175
Subordinated debt, net	229	257	346	849	947
Total borrowed funds	859	554	551	1,944	1,474
Total Interest Expense	2,831	1,684	1,614	5,956	5,032
Net Interest Income	\$ 21,188	\$ 19,937	\$ 19,751	\$ 61,759	\$ 59,056

Note: Interest income from tax-exempt securities and loans has been adjusted to a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%. The following table is a reconciliation of net interest income under U.S. GAAP as compared to net interest income as adjusted to a fully taxable-equivalent basis.

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Interest Income Under U.S. GAAP	\$ 20,879	\$ 19,625	\$ 19,459	\$ 60,836	\$ 58,223
Add: fully taxable-equivalent interest income adjustment from tax-exempt securities	179	191	173	553	494
Add: fully taxable-equivalent interest income adjustment from tax-exempt loans	130	121	119	370	339
Net Interest Income as adjusted to a fully taxable-equivalent basis	\$ 21,188	\$ 19,937	\$ 19,751	\$ 61,759	\$ 59,056

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

	3 Months Ended 9/30/2022 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 6/30/2022 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2021 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Interest-bearing due from banks	\$ 34,465	2.03 %	\$ 47,428	0.78 %	\$ 195,359	0.22 %
Available-for-sale debt securities, at amortized cost:						
Taxable	414,147	2.05 %	419,824	1.95 %	263,682	1.96 %
Tax-exempt	150,773	2.49 %	151,753	2.53 %	127,466	2.62 %
Total available-for-sale debt securities	<u>564,920</u>	<u>2.17 %</u>	<u>571,577</u>	<u>2.10 %</u>	<u>391,148</u>	<u>2.18 %</u>
Loans receivable:						
Taxable	1,582,245	5.01 %	1,494,165	4.76 %	1,426,503	4.70 %
Paycheck Protection Program - 1st Draw	34	46.68 %	707	6.24 %	19,625	12.49 %
Paycheck Protection Program - 2nd Draw	4,661	9.70 %	8,565	9.13 %	68,108	5.95 %
Tax-exempt	87,330	2.88 %	85,447	2.76 %	77,621	2.90 %
Total loans receivable	<u>1,674,270</u>	<u>4.91 %</u>	<u>1,588,884</u>	<u>4.67 %</u>	<u>1,591,857</u>	<u>4.76 %</u>
Other earning assets	<u>3,925</u>	<u>3.84 %</u>	<u>2,321</u>	<u>3.28 %</u>	<u>2,355</u>	<u>2.70 %</u>
Total Earning Assets	<u>2,277,580</u>	<u>4.18 %</u>	<u>2,210,210</u>	<u>3.92 %</u>	<u>2,180,719</u>	<u>3.89 %</u>
Cash	23,731		23,114		24,436	
Unrealized (loss) gain on securities	(44,559)		(36,675)		12,411	
Allowance for loan losses	(14,914)		(14,509)		(12,688)	
Bank-owned life insurance	30,991		30,857		30,445	
Bank premises and equipment	21,874		21,556		20,620	
Intangible assets	55,547		55,656		56,021	
Other assets	57,012		55,735		43,947	
Total Assets	<u>\$ 2,407,262</u>		<u>\$ 2,345,944</u>		<u>\$ 2,355,911</u>	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$ 442,647	0.44 %	\$ 431,997	0.29 %	\$ 423,371	0.22 %
Money market	438,770	0.58 %	449,656	0.33 %	446,385	0.24 %
Savings	261,422	0.10 %	255,578	0.10 %	231,093	0.10 %
Time deposits	298,628	1.04 %	268,753	0.58 %	312,979	0.64 %
Total interest-bearing deposits	<u>1,441,467</u>	<u>0.54 %</u>	<u>1,405,984</u>	<u>0.32 %</u>	<u>1,413,828</u>	<u>0.30 %</u>
Borrowed funds:						
Short-term	33,970	2.09 %	36,848	1.33 %	2,185	0.00 %
Long-term - FHLB advances	51,628	2.55 %	19,516	1.13 %	41,083	0.84 %
Senior notes, net	14,741	3.20 %	14,725	3.27 %	14,674	3.19 %
Subordinated debt, net	24,566	3.70 %	26,476	3.89 %	32,978	4.16 %
Total borrowed funds	<u>124,905</u>	<u>2.73 %</u>	<u>97,565</u>	<u>2.28 %</u>	<u>90,920</u>	<u>2.40 %</u>
Total Interest-bearing Liabilities	<u>1,566,372</u>	<u>0.72 %</u>	<u>1,503,549</u>	<u>0.45 %</u>	<u>1,504,748</u>	<u>0.43 %</u>
Demand deposits	557,116		557,007		522,930	
Other liabilities	23,588		20,066		25,386	
Total Liabilities	<u>2,147,076</u>		<u>2,080,622</u>		<u>2,053,064</u>	
Stockholders' equity, excluding accumulated other comprehensive (loss) income	295,086		293,985		292,936	
Accumulated other comprehensive (loss) income	(34,900)		(28,663)		9,911	
Total Stockholders' Equity	<u>260,186</u>		<u>265,322</u>		<u>302,847</u>	
Total Liabilities and Stockholders' Equity	<u>\$ 2,407,262</u>		<u>\$ 2,345,944</u>		<u>\$ 2,355,911</u>	
Interest Rate Spread		3.46 %		3.47 %		3.46 %
Net Interest Income/Earning Assets		3.69 %		3.62 %		3.59 %
Total Deposits (Interest-bearing and Demand)	\$ 1,998,583		\$ 1,962,991		\$ 1,936,758	

- (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 9/30/2022 Average Balance	Rate of Return/ Cost of Funds %	9 Months Ended 9/30/2021 Average Balance	Rate of Return/ Cost of Funds%
EARNING ASSETS				
Interest-bearing due from banks	\$ 55,154	0.81 %	\$ 157,231	0.20 %
Available-for-sale debt securities, at amortized cost:				
Taxable	408,178	2.01 %	241,716	1.99 %
Tax-exempt	148,977	2.52 %	122,736	2.69 %
Total available-for-sale debt securities	<u>557,155</u>	<u>2.15 %</u>	<u>364,452</u>	<u>2.23 %</u>
Loans receivable:				
Taxable	1,507,756	4.94 %	1,424,457	4.81 %
Paycheck Protection Program - 1st Draw	593	11.95 %	58,900	7.47 %
Paycheck Protection Program - 2nd Draw	10,294	10.99 %	58,173	3.67 %
Tax-exempt	85,492	2.81 %	69,502	3.15 %
Total loans receivable	<u>1,604,135</u>	<u>4.86 %</u>	<u>1,611,032</u>	<u>4.79 %</u>
Other earning assets	<u>2,750</u>	<u>3.35 %</u>	<u>2,556</u>	<u>2.77 %</u>
Total Earning Assets	<u>2,219,194</u>	<u>4.08 %</u>	<u>2,135,271</u>	<u>4.01 %</u>
Cash	22,527		24,564	
Unrealized (loss) gain on securities	(28,068)		11,831	
Allowance for loan losses	(14,406)		(12,143)	
Bank-owned life insurance	30,857		30,301	
Bank premises and equipment	21,494		20,860	
Intangible assets	55,655		56,153	
Other assets	52,610		43,694	
Total Assets	<u>\$ 2,359,863</u>		<u>\$ 2,310,531</u>	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$ 431,344	0.31 %	\$ 389,349	0.24 %
Money market	448,377	0.38 %	428,985	0.28 %
Savings	255,433	0.10 %	224,050	0.10 %
Time deposits	281,673	0.74 %	339,558	0.71 %
Total interest-bearing deposits	<u>1,416,827</u>	<u>0.38 %</u>	<u>1,381,942</u>	<u>0.34 %</u>
Borrowed funds:				
Short-term	24,306	1.66 %	7,648	0.38 %
Long-term - FHLB advances	32,509	1.79 %	46,863	0.94 %
Senior notes, net	14,725	3.24 %	7,255	3.23 %
Subordinated debt, net	27,966	4.06 %	25,539	4.96 %
Total borrowed funds	<u>99,506</u>	<u>2.61 %</u>	<u>87,305</u>	<u>2.26 %</u>
Total Interest-bearing Liabilities	1,516,333	0.53 %	1,469,247	0.46 %
Demand deposits	547,836		514,081	
Other liabilities	22,565		25,729	
Total Liabilities	<u>2,086,734</u>		<u>2,009,057</u>	
Stockholders' equity, excluding accumulated other comprehensive (loss) income	295,019		292,017	
Accumulated other comprehensive (loss) income	(21,890)		9,457	
Total Stockholders' Equity	<u>273,129</u>		<u>301,474</u>	
Total Liabilities and Stockholders' Equity	<u>\$ 2,359,863</u>		<u>\$ 2,310,531</u>	
Interest Rate Spread		3.55 %		3.55 %
Net Interest Income/Earning Assets		3.72 %		3.70 %
Total Deposits (Interest-bearing and Demand)	\$ 1,964,663		\$ 1,896,023	

- (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	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Trust revenue	\$ 1,744	\$ 1,715	\$ 1,821	\$ 5,245	\$ 5,254
Brokerage and insurance revenue	696	566	560	1,784	1,392
Service charges on deposit accounts	1,105	1,322	1,249	3,662	3,337
Interchange revenue from debit card transactions	1,031	1,056	975	3,050	2,854
Net gains from sales of loans	131	220	797	733	2,786
Loan servicing fees, net	189	358	153	757	547
Increase in cash surrender value of life insurance	133	137	139	405	434
Other noninterest income	622	1,456	665	2,666	2,837
Total noninterest income, excluding realized gains on securities, net	<u>\$ 5,651</u>	<u>\$ 6,830</u>	<u>\$ 6,359</u>	<u>\$ 18,302</u>	<u>\$ 19,441</u>

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Nine Months Ended	
	September 30, 2022	June 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Salaries and employee benefits	\$ 10,826	\$ 10,265	\$ 9,427	\$ 31,698	\$ 27,821
Net occupancy and equipment expense	1,498	1,308	1,217	4,217	3,740
Data processing and telecommunications expenses	1,719	1,720	1,475	5,062	4,342
Automated teller machine and interchange expense	397	347	357	1,128	1,049
Pennsylvania shares tax	487	488	482	1,463	1,463
Professional fees	521	480	538	1,490	1,683
Other noninterest expense	1,995	2,431	1,850	6,310	6,356
Total noninterest expense	<u>\$ 17,443</u>	<u>\$ 17,039</u>	<u>\$ 15,346</u>	<u>\$ 51,368</u>	<u>\$ 46,454</u>