

BANCNOTES

C&N'S SECOND QUARTER REPORT

CITIZENS&NORTHERN
CORPORATION

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Dear Shareholder:

It was just last quarter that the financial sector was rocked by the closures of Silicon Valley and Signature banks. While the initial alarm from these events receded during the second quarter, the residual impact on customer behavior and potential regulation presents new challenges - and unique opportunities - to our industry and to C&N.

After raising the interest rate target to 5.00%-5.25%, the tenth consecutive increase, the Fed took no action at its June meeting, but stated that additional rate hikes were likely in the months ahead. This effort to moderate inflation and boost economic activity has been somewhat successful, although consumer spending and many sectors of the economy remain relatively strong despite higher rates. The yield curve remains inverted, typically foreshadowing a recession, which is beginning to reduce credit availability.

As many debate the direction of the economy, the trend in equity markets remains positive. The S&P 500 Index rose over 6.6% in June, as investors were encouraged by the pause in rate increases. The strongest numbers were seen in tech companies who benefitted from developments in AI. Applications of AI have already improved financial services and products and increased the efficiency of secure transactions, but the full effect of this rapidly developing technology is yet to be seen.

C&N navigated these cross-currents effectively during the second quarter, posting a net income of \$6.04 million or \$.39 per share. We experienced solid loan growth and our bank-wide effort to sustain and increase deposits was successful. Net interest margin decreased as funding costs increased, including deposits, at a faster pace than the yield on earning assets. Nonperforming loans decreased slightly, and overall asset quality remained strong, consistent with general economic strength.

We have communicated our ongoing investments in systems and technology over the past several years as we prepare for continued growth and expansion. These efforts are progressing, consistent with our theme of enhancing the customer experience and creating value in all our relationships.

In May, we updated our C&N Lifetime credit card platform with significantly improved functionality and several enhanced features. This new portal allows for a fully digital application process, mobile-friendly website, greater utility and value for business customers, and easy access to account services.

We're excited about another online platform that will streamline the lending experience for our small business customers and will be working with them

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COMMUNITY & COMMITMENT

C&N Teams raise over \$100,000 for Local Emergency Services through Giving Back, Giving Together



C&N teammates raised just over \$100,000 through our Giving Back, Giving Together initiative to support local emergency services organizations. In addition to the monetary donations, C&N teammates collected 3,037 necessity items and volunteered 265 hours at our local fire departments and similar facilities. When there is an accident or a fire, those coming to your aid are generally volunteers. While many of these emergency organizations get state and local funding, it usually isn't enough to cover the extensive training and expensive equipment needed for the job.

The Giving Back, Giving Together program supports a new cause every year, beginning each June. As of June 2023, C&N teammates will shift their fundraising efforts to supporting the local senior population.



(Continue reading at cnbankpa.com/press-releases)

SUMMER FUN FRI-YAYS

Each Friday throughout the summer, C&N teammates dress up for different theme days as a fun way to raise money for our local seniors.





DOLLARS&SENSE

Below are unaudited financial highlights. Additional details on our Second Quarter financial results can be found on the Investor Relations section by scanning the QR code or visiting cnbankpa.com/bancnotes. The full unaudited financial results press release is available at cnbankpa.com/Press-Releases.



TOTAL ASSETS (In Thousands)

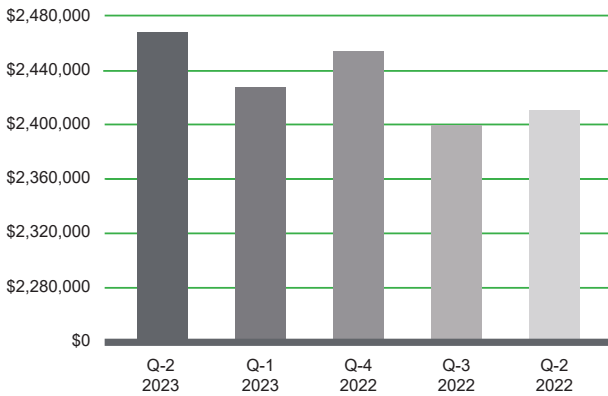


TABLE INFORMATION

| | Q-2 2023 | Q-1 2023 | Q-4 2022 | Q-3 2022 | Q-2 2022 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| Total Assets | \$2,470,780 | \$2,429,872 | \$2,454,307 | \$2,400,180 | \$2,410,718 |

Q2 HIGHLIGHTS (In Thousands, Except Per Share Data)

| | Q-2 2023 | Q-2 2022 | \$ INCREASE (DECREASE) | % INCREASE (DECREASE) |
|--------------------------------|-------------|-------------|------------------------|-----------------------|
| Net Income | \$6,043 | \$7,489 | (\$1,446) | (19.31%) |
| Net Income - Diluted Per Share | \$0.39 | \$0.48 | (\$0.09) | (18.75%) |
| Dividends Per Share | \$0.28 | \$0.28 | \$0.00 | 0.00% |
| Loans, net | \$1,795,454 | \$1,643,057 | 152,397 | 9.28% |
| Total Assets | \$2,470,780 | \$2,410,718 | \$60,062 | 2.49% |
| Deposits | \$2,010,118 | \$1,964,270 | \$45,848 | 2.33% |
| Total Stockholders' Equity | 248,117 | 258,619 | (10,502) | (4.06%) |

Citizens & Northern Corporation (NASDAQ: CZNC)

| DATE | OPEN | HIGH | LOW | CLOSE | VOLUME |
|---------|---------|---------|---------|---------|--------|
| 6.30.23 | \$19.69 | \$19.69 | \$19.23 | \$19.30 | 24,400 |

6 MONTHS ENDED (In Thousands, Except Per Share Data)

| | JUNE 30, 2023 | JUNE 30, 2022 | \$ INCREASE (DECREASE) | % INCREASE (DECREASE) |
|--------------------------------|---------------|---------------|------------------------|-----------------------|
| Net Income | \$12,296 | \$14,384 | (\$2,088) | (14.52%) |
| Net Income - Diluted Per Share | \$0.80 | \$0.92 | (\$0.12) | (13.04%) |
| Dividends Per Share | \$0.56 | \$0.56 | \$0.00 | 0.00% |



TRUST&PROTECT

Checklist: How to Avoid Phone & Text Scams

If You Get an Unexpected Call from a Company

- Ask for the person's name and job title.
- Do not answer any questions. If they are calling you, they should not need to verify your identity.

- Beware of requests to update or confirm your personal information.
- Tell them you will hang up and call them back using the customer service number. You can even lie and say you have a bad connection or there's a caller on the other line.

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c/o American Stock Transfer
& Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219



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as they take advantage of this improved process rolling out in the coming months.

We're also proud to share how our C&N teams have served our communities this year. Over the last 12 months, our employees rallied around our Giving Back, Giving Together initiative, bringing in over \$100,000 in monetary donations and contributing over 260 volunteer hours! We're proud of the dedication from our teams and look forward to another year of building our communities together as we take on our new cause of supporting our local seniors.

Reinforcing the underlying strength of our assets and confidence in the future, in early July we completed the 1 million share stock repurchase plan, approved by the Board in February of 2021. In combination with payment of the cash dividend, this program supported efficient use of capital to support shareholder value.

On July 20, 2023, C&N's Board of Directors declared a regular quarterly cash dividend of \$.28 per share, payable on August 11, 2023 to shareholders of record as

of July 31, 2023. This represents a 5.80% annualized yield on C&N common stock based on the June 30, 2023 closing price of \$19.30 per share.

As always, we thank you for your support of C&N and look forward to the opportunities presented during the second half of 2023.

J. Bradley Scovill
President and CEO