

April 18, 2019

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## **C&N DECLARES DIVIDEND AND ANNOUNCES FIRST QUARTER 2019 UNAUDITED FINANCIAL RESULTS**

### **FOR IMMEDIATE RELEASE:**

**Wellsboro, PA** – Citizens & Northern Corporation (“C&N”) (NASDAQ: CZNC) announced its most recent dividend declaration and its unaudited, consolidated financial results for the three-month period ended March 31, 2019.

#### **Dividend Declared**

C&N’s Board of Directors declared a regular quarterly cash dividend of \$0.27 per share. The dividend is payable on May 10, 2019 to shareholders of record as of April 29, 2019. Declaration of the dividend was made at the April 18, 2019 meeting of C&N’s Board of Directors.

#### **First Quarter 2019 Unaudited Financial Results**

Earnings per basic and diluted common share were \$0.41 in the first quarter 2019, as compared to \$0.46 per share in the fourth quarter 2018 and up 13.9% from \$0.36 per share in the first quarter 2018. The annualized return on average assets for the first quarter 2019 was 1.59%, and the annualized return on average equity was 10.33%. Highlights related to C&N’s earnings results for the comparative periods are presented below.

#### **First Quarter 2019 as Compared to Fourth Quarter 2018**

Net income was \$5,090,000 in the first quarter 2019 as compared to \$5,681,000 in the fourth quarter 2018. Significant variances were as follows:

- Net interest income decreased \$277,000 (2.3%) in the first quarter 2019 as compared to the fourth quarter 2018. The net interest margin of 4.04% for the first quarter 2019 was up slightly from the fourth quarter 2018 margin of 4.01%; however, there were two fewer days and average total earning assets were \$10.7 million lower in the first quarter 2019 as compared to the fourth quarter 2018. The average yield on earning assets and the average rate paid on interest-bearing liabilities each increased 0.05%. Average total loans outstanding decreased \$2,719,000 (0.3%), and average total deposits decreased \$15,945,000 (1.5%), in the first quarter 2019 as compared to the fourth quarter 2018. The reduction in average deposits resulted mainly from a seasonal reduction in deposits of municipal customers.
- The credit for loan losses (reduction in expense) was \$957,000 in the first quarter 2019 as compared to a provision of \$252,000 in the fourth quarter 2018. Specific allowances totaling \$1,365,000 at December 31, 2018 on two commercial loans were eliminated in the first quarter 2019. These two loans were no longer considered impaired at March 31, 2019 and were returned to full accrual status in the first quarter 2019. A specific allowance of \$781,000 at December 31, 2018 on a real estate secured commercial loan was eliminated in the first quarter 2019 due to the borrower’s improved financial performance and receipt of an updated, higher appraised value of the underlying collateral. Also, a specific allowance of \$584,000 on a commercial loan was eliminated, consistent with improvements in both the borrower’s financial position and C&N’s security position on the credit. In total, the first quarter 2019 credit for loan losses included a credit of \$1,011,000 related to the change in total specific allowances on impaired loans, as

adjusted for net charge-offs during the period, partially offset by a net increase of \$54,000 in the collectively determined and unallocated portions of the allowance for loan losses.

- Noninterest income of \$4,406,000 in the first quarter 2019 was down \$634,000 from the fourth quarter 2018 total. Other noninterest income decreased \$283,000, as the fourth quarter 2018 total included income of \$438,000 from a life insurance arrangement with no comparable income recognized in the first quarter 2019. Also, within other noninterest income, income from state tax credits totaled \$152,000 in the first quarter 2019 with no such income recognized in the fourth quarter 2018. Other reductions in noninterest income in the first quarter 2019 as compared to the fourth quarter 2018 included reductions in Trust revenue of \$103,000, service charges on deposit accounts of \$84,000 and net gains from sales of loans of \$81,000. Loan servicing fees, net, decreased \$56,000, including the impact of a decrease in fair value of mortgage servicing rights of \$77,000 in the first quarter 2019 as compared to a decrease in fair value of \$25,000 in the fourth quarter 2018.
- Noninterest expense totaled \$11,007,000 in the first quarter 2019, an increase of \$933,000 over the fourth quarter 2018 amount. Other noninterest expense increased \$473,000 for the first quarter 2019 over the fourth quarter 2018 total, including increases in expenses and net losses from other real estate of \$218,000 and an increase in loan collection expense of \$123,000. Pensions and other employee benefits expense in the first quarter 2019 exceeded the fourth quarter total by \$406,000, reflecting the customary seasonal increase in payroll taxes. First quarter 2019 expenses included \$311,000 of non-payroll expenses related to the acquisition of Monument Bancorp, Inc., which was completed April 1, 2019. The most significant category of merger-related expenses was \$202,000 of professional fees related to conversion of Monument's information technology systems (conversion planned to be completed in late June 2019). First quarter 2019 expenses also included \$188,000 related to the start-up of a limited purpose office (for lending) which was recently opened in York, PA.
- The income tax provision was \$981,000 for the first quarter 2019, or 16.2% of pre-tax income. In comparison, the fourth quarter provision was \$1,021,000, or 15.2% of pre-tax income. In the fourth quarter 2018, the lower effective tax rate included the impact of tax-exempt income from the life insurance benefit noted above.

### **First Quarter 2019 as Compared to First Quarter 2018**

Net income of \$5,090,000 in the first quarter 2019 was up \$715,000 (16.3%) from the first quarter 2018 amount. Significant variances were as follows:

- Net interest income increased \$818,000 (7.5%) in the first quarter 2019 over the first quarter 2018 amount. Total interest and dividend income increased \$1,175,000, while interest expense increased \$357,000. The net interest margin was 4.04% for the first quarter 2019, up 0.20% from the first quarter 2018 level. The average fully taxable equivalent yield on earning assets increased to 4.49% in the first quarter 2019 from 4.18% in the first quarter 2018, reflecting the effect of increases in interest rates that took place over most of 2018. Average total earning assets increased \$21,895,000, including increases in the average balances of available-for-sale debt securities of \$8,912,000, total loans of \$6,849,000 (0.8%) and interest-bearing balances with other banks of \$6,175,000. The growth in assets was funded mainly by an increase in average total deposits of \$23,558,000 (2.4%), including an increase in average noninterest-bearing demand deposits of \$25,359,000. The average rate paid on interest-bearing liabilities was 0.68% for the first quarter 2019, up from 0.49% in the first quarter 2018.
- As noted above, the credit for loan losses (reduction in expense) of \$957,000 in the first quarter 2019 included the impact of eliminating specific allowances on two commercial loans. In comparison, the provision for loan losses in the first quarter 2018 was \$292,000.
- Total noninterest income of \$4,406,000 in the first quarter 2019 was equal to the first quarter 2018 amount. Brokerage revenue increased \$95,000, mainly due to an increase in volume. Other noninterest income increased \$80,000, including increases in dividends on Federal Home Loan Bank of Pittsburgh

stock and interchange fees from credit card transactions. Interchange revenue from debit card transactions increased \$64,000 (11.1%), reflecting an increase in transaction volume. Loan servicing fees, net, decreased \$100,000, as the fair value of mortgage servicing rights decreased \$77,000 in the first quarter 2019 as compared to an increase in fair value of \$20,000 in the first quarter 2018. Net gains from sales of mortgage loans decreased \$97,000 in the first quarter 2019 from the first quarter 2018 amount, mainly due to a lower volume of transactions. Trust and financial management revenue decreased \$62,000 (4.4%), including a reduction in fees from estate settlements.

- Total noninterest expense increased \$1,112,000 (11.2%) in the first quarter 2019 over the first quarter 2018 amount. As noted above, first quarter 2019 expenses included \$311,000 related to professional fees and other expenses associated with the Monument merger as well as \$188,000 of expenses related to the recently opened lending facility in York. Significant variances related to individual categories of expenses, some of which include expenses related to the Monument merger and York, are as follows:
  - Other noninterest expense increased \$567,000, including increases in expenses and net losses from other real estate of \$261,000 and an increase in loan collection expense of \$109,000 as well as \$102,000 of merger-related expenses (included in the \$311,000 cited above).
  - Salaries and wages expense increased \$369,000 (8.9%), including the effects of annual merit-based increases, an increase of \$165,000 in estimated cash and stock-based compensation expense and an increase in the average number of full-time equivalent employees (FTEs) to 299 in the first quarter 2019 from 294 in the first quarter 2018.
  - Data processing expenses increased \$162,000, reflecting expenses associated with product development efforts in connection with a fintech organization as well as increases in expenses related to a new loan origination system implemented in 2018 and other increases in software licensing costs.
  - Professional fees expense increased \$148,000, including \$202,000 related to Monument merger activities as described above.
  - Automated teller machine and interchange expense decreased \$133,000, reflecting cost reductions pursuant to a contract for processing services that was renegotiated in the latter portion of 2018.
- The income tax provision was \$981,000 for the first quarter 2019, up from \$741,000 for the first quarter 2018. The higher income tax provision in 2019 resulted mainly from higher pre-tax income. The effective tax rate of 16.2% for the first quarter 2019 was higher than the effective tax rate of 14.5% for the first quarter 2018 due to a reduction in tax-exempt interest income as a percentage of pre-tax income and because a portion of the merger-related expenses incurred in the first quarter 2019 are estimated to be nondeductible.

#### **Other Information:**

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,290,000,000 at March 31, 2019 as compared to \$1,290,893,000 at December 31, 2018 and up 2.5% from \$1,258,116,000 at March 31, 2018.
- Net loans outstanding (excluding mortgage loans held for sale) were \$817,136,000 at March 31, 2019 as compared to \$818,254,000 at December 31, 2018 and up 1.1% from \$808,300,000 at March 31, 2018. In comparing outstanding balances at March 31, 2019 and 2018, total residential mortgage loans increased \$12.5 million (2.8%) and total consumer loans increased \$1.6 million (10.5%), while total commercial loans decreased \$6.1 million (1.7%). At March 31, 2019, the outstanding balance of commercial loan participations with other financial entities was \$68.4 million, up from \$67.3 million at December 31, 2018 and \$62.8 million at March 31, 2018.
- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$170,676,000 at March 31, 2019 as compared to \$171,742,000 at December 31, 2018 and \$171,237,000 at March 31, 2018.

- Total nonperforming assets as a percentage of total assets was 1.02% at March 31, 2019, down from 1.37% at December 31, 2018 and 1.39% at March 31, 2018. The improvement in this ratio reflects the removal from nonaccrual and impaired status of the two commercial loans described above for which C&N eliminated specific allowances for loan losses in the first quarter 2019.
- Deposits and repo sweep accounts totaled \$1,045,043,000 at March 31, 2019, up from \$1,039,625,000 at December 31, 2018 and up 2.1% from \$1,023,563,000 at March 31, 2018.
- Total shareholders' equity was \$202,127,000 at March 31, 2019, up from \$197,368,000 at December 31, 2018 and \$186,382,000 at March 31, 2018. Within shareholders' equity, the portion of accumulated other comprehensive (loss) income related to available-for-sale debt securities was (\$941,000) at March 31, 2019 as compared to (\$4,307,000) at December 31, 2018 and (\$5,679,000) at March 31, 2018. Fluctuations in accumulated other comprehensive (loss) 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 March 31, 2019, Citizens & Northern Bank maintains regulatory capital ratios that exceed all capital adequacy requirements. Management expects the Bank to remain well-capitalized for the foreseeable future.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$924,080,000 at March 31, 2019, up from \$862,517,000 at December 31, 2018 and up 0.9% from \$916,295,000 at March 31, 2018. The increase in the value of Trust assets under management reflects the effects of a significant recovery in U.S and many international equity market valuations in the first quarter 2019 following reductions in the fourth quarter 2018.

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

**Safe Harbor Statement:** Except for historical information contained herein, the matters discussed in this release are forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, the following: changes in monetary and fiscal policies of the Federal Reserve Board and the U.S. Government, particularly related to changes in interest rates; changes in general economic conditions; legislative or regulatory changes; downturn in demand for loan, deposit and other financial services in the Corporation's market area; increased competition from other banks and non-bank providers of financial services; technological changes and increased technology-related costs; changes in management's assessment of realization of securities and other assets; and changes in accounting principles, or the application of generally accepted accounting principles. Citizens & Northern disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



March 31, 2019

QUARTERLY REPORT

Dear Shareholder:

We are pleased to report that the acquisition of Monument Bancorp, Inc. and Monument Bank closed on April 1, 2019. Except for some merger-related expenses discussed below, the acquisition did not impact the March 31<sup>st</sup> financial statements. With the closing of the transaction, our total assets exceed \$1.6 billion and C&N and Citizens & Northern Bank remain very well capitalized.

Monument Bank will continue to operate as a division of Citizens & Northern Bank until all systems are converted later in the second quarter. Along with the scheduled conversion, a refreshed brand will be introduced not only to the Bucks County market but to all markets served by C&N. Management and staff remain engaged in integration efforts, planning for systems conversions, and importantly in strengthening relationships that will mesh our organizations and drive our long-term success. It has been a very positive team effort to date and we remain optimistic about the opportunity to grow and create value together.

In addition to progress with Monument, C&N received approval in mid-February to establish a loan production office in York County, PA. We currently have a team of four seasoned bankers in place that will serve the market in the south-central PA region and expect the office will open for business by the end of April. We plan to continue adding to the Team as we extend C&N's presence in the region over the next several years. This expansion is consistent with our growth strategy to leverage our strong capital position and operating capacity into larger markets and is a good complement to the Monument acquisition.

C&N's unaudited results for the first quarter 2019 continue to reflect strength and consistency. Net income of \$5.09 million in the first quarter of 2019 was up \$715,000, or 16.3%, from the first quarter of 2018. Earnings per share increased 13.9% to \$.41 per share from \$.36 per share during the first quarter of 2018. Annualized return on average assets and return on average equity were 1.59% and 10.33% respectively during the first quarter of 2019 compared to 1.39% and 9.41% during the same period in 2018.

Net interest income, C&N's primary source of revenue, increased \$818,000 (7.5%) to \$11.72 million in the first quarter of 2019 over the first quarter 2018 amount of \$10.9 million. Growth in earning assets that was funded mainly by deposits produced a net interest margin of 4.04% during the first quarter of 2019, an increase of .20% compared to 3.84% a year earlier. The improvement in net interest income and net interest margin were achieved during a twelve-month period when the Federal Reserve raised short-term interest rates four times. As we have mentioned in prior reports, growth in noninterest-bearing demand deposits continues to be a strength for C&N that supports a stable, low cost funding mix.

C&N's credit quality is another area that has been strong and consistent over time. While growth in loans outstanding was a modest \$8.8 million between March 31, 2018 and March 31, 2019, our total outstandings of \$817 million are nearly \$200 million greater than they were four years earlier. Throughout this period of growth, credit metrics that measure delinquencies, non-performing loans, and net charge-offs have remained very consistent. Management maintains a robust process of evaluating the adequacy of the allowance for loan losses and makes the appropriate provision to fund this allowance on a quarterly basis. During the first quarter of 2019, specific allowances on two commercial loans totaling

\$1.37 million were eliminated and were the primary reason that there was a credit (reduction in expense) of \$957,000 as compared to a provision of \$292,000 during the first quarter of 2018.

Noninterest income was unchanged during the first quarter of 2019 compared to a year earlier. Overall trust and brokerage revenues from our wealth management business continued to grow in the first quarter primarily due to higher brokerage revenues. In addition, equity markets rebounded from the fourth quarter decline and longer-term interest rates moderated. Interchange revenues from both credit and debit cards increased reflecting growth in transaction volumes. Loan servicing revenues decreased as the fair value of mortgage servicing rights declined and gains from the sale of mortgage loans decreased during the first quarter of 2019 compared to a year earlier due to lower volume.

Noninterest expenses increased \$1.1 million, or approximately 11%, in the first quarter of 2019 as compared to the same period in 2018. Included in the increase are approximately \$500,000 of expenses related to the Monument merger and York LPO and higher other real estate and collection expenses totaling \$370,000. In addition to these significant items, normal increases in staffing expenses, and higher data processing and IT costs were the primary drivers of noninterest expense growth.

The income tax provision was \$981,000 during the first quarter of 2019, up from \$741,000 for the first quarter of 2018. The higher income tax provision resulted primarily from greater pre-tax income. C&N's effective tax rate was 16.2% in 2019 compared to 14.5% during the first quarter of 2018 due to the lower relative amount of tax-exempt interest income and non-deductibility of some merger related expenses.

Leveraging capital and paying off our investments in C&N's capacity for growth have been core elements of our strategic plan over the past several years. We have also focused on producing earnings that support a strong dividend and positive stock valuation, and ultimately a "currency" that underpins our capacity for growth. On April 18, 2019, the Board of Directors declared a cash dividend on common stock of \$.27 per share. This results in an annual dividend of \$1.08 and annualized yield of 4.31% based on C&N's March 31, 2019 closing price of \$25.04. This closing price was an 8.45% increase from the \$23.09 close a year earlier.

I'd like to close by welcoming everyone from Monument Bank - staff, valued customers, and shareholders - to the C&N Team through this partnership. The same message goes out to our Team in York, along with a sincere thank you to our entire Team for their efforts to make these two initiatives happen. We have great opportunities to create value for all associated with C&N in the years ahead.

Thank you to all our loyal shareholders for your continued support and interest.



J. Bradley Scovill  
President and CEO

**CONDENSED, CONSOLIDATED EARNINGS INFORMATION**

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

	<b>1ST QUARTER 2019 (Current)</b>	<b>1ST QUARTER 2018 (Prior Year)</b>	<b>\$ Incr. (Decr.)</b>	<b>% Incr. (Decr.)</b>
Interest and Dividend Income	\$13,065	\$11,890	\$1,175	9.88%
Interest Expense	1,350	993	357	35.95%
Net Interest Income	11,715	10,897	818	7.51%
(Credit) Provision for Loan Losses	(957)	292	(1,249)	-427.74%
Net Interest Income After (Credit) Provision for Loan Losses	12,672	10,605	2,067	19.49%
Noninterest Income	4,406	4,406	0	0.00%
Net Gains (Losses) on Available-for-sale Debt Securities	0	0	0	
Noninterest Expense	11,007	9,895	1,112	11.24%
Income Before Income Tax Provision	6,071	5,116	955	18.67%
Income Tax Provision	981	741	240	32.39%
<b>Net Income</b>	<b>\$5,090</b>	<b>\$4,375</b>	<b>\$715</b>	<b>16.34%</b>
<b>Net Income Attributable to Common Shares (1)</b>	<b>\$5,063</b>	<b>\$4,352</b>	<b>\$711</b>	<b>16.34%</b>

**PER COMMON SHARE DATA:**

Net Income – Basic	\$0.41	\$0.36	\$0.05	13.89%
Net Income – Diluted	\$0.41	\$0.36	\$0.05	13.89%
Dividend Per Share – Quarterly	\$0.27	\$0.27	\$0.00	0.00%
Dividend Per Share – Special	\$0.10	\$0.00	\$0.10	
Number of Shares Used in Computation – Basic	12,308,862	12,189,471		
Number of Shares Used in Computation - Diluted	12,334,307	12,222,256		

(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)

	<b>MARCH 31,</b> <b>2019</b>	<b>MARCH 31,</b> <b>2018</b>	<b>MARCH 31, 2019 vs 2018</b>	
			<b>\$ Incr. (Decr.)</b>	<b>% Incr. (Decr.)</b>
<b>ASSETS</b>				
Cash & Due from Banks	\$44,002	\$36,860	\$7,142	19.38%
Available-for-sale Debt Securities	357,646	341,133	16,513	4.84%
Loans Held for Sale	0	225	(225)	-100.00%
Loans, Net	817,136	808,300	8,836	1.09%
Intangible Assets	11,949	11,953	(4)	-0.03%
Other Assets	59,267	59,645	(378)	-0.63%
<b>TOTAL ASSETS</b>	<b>\$1,290,000</b>	<b>\$1,258,116</b>	<b>\$31,884</b>	<b>2.53%</b>
<b>LIABILITIES</b>				
Deposits	\$1,039,911	\$1,018,081	\$21,830	2.14%
Repo Sweep Accounts	5,132	5,482	(350)	-6.38%
Total Deposits and Repo Sweeps	1,045,043	1,023,563	21,480	2.10%
Borrowed Funds	32,844	39,122	(6,278)	-16.05%
Other Liabilities	9,986	9,049	937	10.35%
<b>TOTAL LIABILITIES</b>	<b>1,087,873</b>	<b>1,071,734</b>	<b>16,139</b>	<b>1.51%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	202,768	191,920	10,848	5.65%
Accumulated Other Comprehensive Income (Loss):				
Net Unrealized Gains/Losses on				
Available-for-sale Debt Securities	(941)	(5,679)	4,738	-83.43%
Defined Benefit Plans	300	141	159	112.77%
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>202,127</b>	<b>186,382</b>	<b>15,745</b>	<b>8.45%</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$1,290,000</b>	<b>\$1,258,116</b>	<b>\$31,884</b>	<b>2.53%</b>



EXHIBIT 99.3 – Supplemental, Unaudited Financial Information



**CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS**

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

	AS OF OR FOR THE THREE MONTHS ENDED		%
	MARCH 31,		
	<u>2019</u>	<u>2018</u>	<u>INCREASE (DECREASE)</u>
<b>EARNINGS PERFORMANCE</b>			
Net Income	\$5,090	\$4,375	16.34%
Return on Average Assets (Annualized)	1.59%	1.39%	14.39%
Return on Average Equity (Annualized)	10.33%	9.41%	9.78%
<b>BALANCE SHEET HIGHLIGHTS</b>			
Total Assets	\$1,290,000	\$1,258,116	2.53%
Available-for-Sale Debt Securities	357,646	341,133	4.84%
Loans (Net)	817,136	808,300	1.09%
Allowance for Loan Losses	8,256	9,049	-8.76%
Deposits and Repo Sweep Accounts	1,045,043	1,023,563	2.10%
<b>OFF-BALANCE SHEET</b>			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$170,676	\$171,237	-0.33%
Trust Assets Under Management	924,080	916,295	0.85%
<b>SHAREHOLDERS' VALUE (PER COMMON SHARE)</b>			
Net Income - Basic	\$0.41	\$0.36	13.89%
Net Income - Diluted	\$0.41	\$0.36	13.89%
Dividends - Quarterly	\$0.27	\$0.27	0.00%
Dividends - Special	\$0.10	\$0.00	
Common Book Value	\$16.31	\$15.20	7.30%
Tangible Common Book Value (a)	\$15.35	\$14.22	7.95%
Market Value (Last Trade)	\$25.04	\$23.09	8.45%
Market Value / Common Book Value	153.53%	151.91%	1.07%
Market Value / Tangible Common Book Value	163.13%	162.38%	0.46%
Price Earnings Multiple (Annualized)	15.27	16.03	-4.74%
Dividend Yield (Annualized, Excluding Special Dividend)	4.31%	4.68%	-7.91%
Common Shares Outstanding, End of Period	12,393,044	12,264,284	1.05%

**CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)**

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

	<b>AS OF OR FOR THE</b>		<b>% INCREASE (DECREASE)</b>
	<b>THREE MONTHS ENDED</b>		
	<b>MARCH 31,</b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>	
<b>SAFETY AND SOUNDNESS</b>			
Tangible Common Equity / Tangible Assets (a)	14.88%	14.00%	6.29%
Nonperforming Assets / Total Assets	1.02%	1.39%	-26.62%
Allowance for Loan Losses / Total Loans	1.00%	1.11%	-9.91%
Total Risk Based Capital Ratio (b)	24.41%	23.49%	3.92%
Tier 1 Risk Based Capital Ratio (b)	23.35%	22.33%	4.57%
Common Equity Tier 1 Risk Based Capital Ratio (b)	23.35%	22.33%	4.57%
Leverage Ratio (b)	14.91%	14.33%	4.05%
<b>AVERAGE BALANCES</b>			
Average Assets	\$1,279,650	\$1,257,704	1.74%
Average Equity	\$197,013	\$185,960	5.94%
<b>EFFICIENCY RATIO (c)</b>			
Net Interest Income on a Fully Taxable-Equivalent Basis (c)	\$12,016	\$11,226	7.04%
Noninterest Income	4,406	4,406	0.00%
Total (1)	\$16,422	\$15,632	5.05%
Noninterest Expense (2)	\$11,007	\$9,895	11.24%
Efficiency Ratio = (2)/(1)	67.03%	63.30%	5.89%

(a) Tangible book value per common share and tangible common equity as a percentage of tangible assets are non-U.S. GAAP ratios. Management believes this non-GAAP information is helpful in evaluating the strength of the Corporation's capital and in providing an alternative, conservative valuation of the Corporation's net worth. The ratios shown above are based on the following calculations of tangible assets and tangible common equity:

Total Assets	\$1,290,000	\$1,258,116
Less: Intangible Assets, Primarily Goodwill	(11,949)	(11,953)
<b>Tangible Assets</b>	<b>\$1,278,051</b>	<b>\$1,246,163</b>
Total Shareholders' Equity	\$202,127	\$186,382
Less: Intangible Assets, Primarily Goodwill	(11,949)	(11,953)
<b>Tangible Common Equity (3)</b>	<b>\$190,178</b>	<b>\$174,429</b>
Common Shares Outstanding, End of Period (4)	12,393,044	12,264,284
<b>Tangible Common Book Value per Share = (3)/(4)</b>	<b>\$15.35</b>	<b>\$14.22</b>

(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%.

**QUARTERLY CONDENSED, CONSOLIDATED  
INCOME STATEMENT INFORMATION**

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

For the Three Months Ended:

	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
Interest income	\$13,065	\$13,304	\$12,800	\$12,334	\$11,890
Interest expense	1,350	1,312	1,241	1,079	993
Net interest income	11,715	11,992	11,559	11,255	10,897
(Credit) provision for loan losses	(957)	252	60	(20)	292
Net interest income after (credit) provision for loan losses	12,672	11,740	11,499	11,275	10,605
Noninterest income	4,406	5,040	4,462	4,689	4,406
Net (losses) gains on securities	0	(4)	569	1,468	0
Noninterest expense	11,007	10,074	9,833	9,684	9,895
Income before income tax provision	6,071	6,702	6,697	7,748	5,116
Income tax provision	981	1,021	1,111	1,377	741
Net income	\$5,090	\$5,681	\$5,586	\$6,371	\$4,375
Net income attributable to common shares	\$5,063	\$5,653	\$5,558	\$6,339	\$4,352
Basic earnings per common share	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36
Diluted earnings per common share	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36

**QUARTERLY CONDENSED, CONSOLIDATED  
BALANCE SHEET INFORMATION**

(In Thousands) (Unaudited)

As of:

	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
<b>ASSETS</b>					
Cash & Due from Banks	\$44,002	\$37,487	\$38,341	\$51,475	\$36,860
Available-for-Sale Debt Securities	357,646	363,273	358,706	348,044	341,133
Loans Held for Sale	0	213	551	177	225
Loans, Net	817,136	818,254	813,717	809,816	808,300
Intangible Assets	11,949	11,951	11,951	11,952	11,953
Other Assets	59,267	59,715	62,173	62,543	59,645
<b>TOTAL ASSETS</b>	<b>\$1,290,000</b>	<b>\$1,290,893</b>	<b>\$1,285,439</b>	<b>\$1,284,007</b>	<b>\$1,258,116</b>
<b>LIABILITIES</b>					
Deposits	\$1,039,911	\$1,033,772	\$1,043,947	\$1,040,899	\$1,018,081
Repo Sweep Accounts	5,132	5,853	5,421	5,169	5,482
Total Deposits and Repo Sweeps	1,045,043	1,039,625	1,049,368	1,046,068	1,023,563
Borrowed Funds	32,844	42,915	35,985	39,054	39,122
Other Liabilities	9,986	10,985	10,099	9,706	9,049
<b>TOTAL LIABILITIES</b>	<b>1,087,873</b>	<b>1,093,525</b>	<b>1,095,452</b>	<b>1,094,828</b>	<b>1,071,734</b>
<b>SHAREHOLDERS' EQUITY</b>					
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	202,768	201,538	198,355	195,518	191,920
Accumulated Other Comprehensive Income (Loss): Net Unrealized Gains (Losses) on Available-for-sale Securities	(941)	(4,307)	(8,502)	(6,476)	(5,679)
Defined Benefit Plans Adjustment, Net	300	137	134	137	141
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>202,127</b>	<b>197,368</b>	<b>189,987</b>	<b>189,179</b>	<b>186,382</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$1,290,000</b>	<b>\$1,290,893</b>	<b>\$1,285,439</b>	<b>\$1,284,007</b>	<b>\$1,258,116</b>

AVAILABLE-FOR-SALE DEBT SECURITIES (In Thousands)	March 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$11,916	\$12,265	\$12,331	\$12,500
Obligations of states and political subdivisions:				
Tax-exempt	75,910	76,902	84,204	83,952
Taxable	30,059	30,435	27,618	27,699
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	57,727	57,049	54,827	53,445
Residential collateralized mortgage obligations	142,642	140,722	148,964	145,912
Commercial mortgage-backed securities	40,583	40,273	40,781	39,765
<b>Total Available-for-Sale Debt Securities</b>	<b>\$358,837</b>	<b>\$357,646</b>	<b>\$368,725</b>	<b>\$363,273</b>

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

	March 31, 2019	Dec. 31, 2018	March 31, 2018
Residential mortgage:			
Residential mortgage loans - first liens	\$374,764	\$372,339	\$358,786
Residential mortgage loans - junior liens	25,538	25,450	25,870
Home equity lines of credit	32,847	34,319	34,595
1-4 Family residential construction	24,437	24,698	25,790
<b>Total residential mortgage</b>	<b>457,586</b>	<b>456,806</b>	<b>445,041</b>
Commercial:			
Commercial loans secured by real estate	160,177	162,611	161,571
Commercial and industrial	92,842	91,856	89,346
Political subdivisions	52,142	53,263	56,224
Commercial construction and land	12,701	11,962	13,232
Loans secured by farmland	6,938	7,146	7,015
Multi-family (5 or more) residential	7,031	7,180	7,621
Agricultural loans	5,471	5,659	5,803
Other commercial loans	13,467	13,950	16,079
<b>Total commercial</b>	<b>350,769</b>	<b>353,627</b>	<b>356,891</b>
Consumer	17,037	17,130	15,417
<b>Total</b>	<b>825,392</b>	<b>827,563</b>	<b>817,349</b>
Less: allowance for loan losses	(8,256)	(9,309)	(9,049)
<b>Loans, net</b>	<b>\$817,136</b>	<b>\$818,254</b>	<b>\$808,300</b>

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

	March 31, 2019	Dec. 31, 2018	March 31, 2018
Residential mortgage loans originated and serviced - outstanding balance	\$170,676	\$171,955	\$171,462
Less: outstanding balance of loans sold	(170,676)	(171,742)	(171,237)
<b>Loans held for sale, net</b>	<b>\$0</b>	<b>\$213</b>	<b>\$225</b>

**ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES**  
(In Thousands)

	<b>3 Months Ended March 31, 2019</b>	<b>3 Months Ended Dec. 31, 2018</b>	<b>3 Months Ended March 31, 2018</b>	<b>Year Ended Dec. 31, 2018</b>
Balance, beginning of period	\$9,309	\$8,815	\$8,856	\$8,856
Charge-offs	(111)	(79)	(115)	(497)
Recoveries	15	321	16	366
Net (charge-offs) recoveries	(96)	242	(99)	(131)
(Credit) provision for loan losses	(957)	252	292	584
Balance, end of period	\$8,256	\$9,309	\$9,049	\$9,309

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

	<b>March 31, 2019</b>	<b>Dec 31, 2018</b>	<b>March 31, 2018</b>
Impaired loans with a valuation allowance	\$2,769	\$4,851	\$4,699
Impaired loans without a valuation allowance	3,728	4,923	5,507
Total impaired loans	\$6,497	\$9,774	\$10,206
Total loans past due 30-89 days and still accruing	\$7,123	\$7,142	\$5,927

Nonperforming assets:

Total nonaccrual loans	\$9,441	\$13,113	\$13,587
Total loans past due 90 days or more and still accruing	1,902	2,906	2,795
Total nonperforming loans	11,343	16,019	16,382
Foreclosed assets held for sale (real estate)	1,875	1,703	1,100
Total nonperforming assets	\$13,218	\$17,722	\$17,482

Loans subject to troubled debt restructurings (TDRs):

Performing	\$776	\$655	\$774
Nonperforming	774	2,884	2,987
Total TDRs	\$1,550	\$3,539	\$3,761

Total nonperforming loans as a % of loans	1.37%	1.94%	2.00%
Total nonperforming assets as a % of assets	1.02%	1.37%	1.39%
Allowance for loan losses as a % of total loans	1.00%	1.12%	1.11%
Allowance for loan losses as a % of nonperforming loans	72.78%	58.11%	55.24%

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

	3 Months Ended 3/31/2019 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2018 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 3/31/2018 Average Balance	Rate of Return/ Cost of Funds %
<b>EARNING ASSETS</b>						
Available-for-sale debt securities, at amortized cost:						
Taxable	\$281,805	2.64%	\$282,708	2.56%	\$249,840	2.21%
Tax-exempt	80,124	3.79%	91,371	3.68%	103,177	3.53%
Total available-for-sale debt securities	361,929	2.89%	374,079	2.83%	353,017	2.60%
Marketable equity security	952	2.56%	941	2.53%	962	2.11%
Interest-bearing due from banks	20,306	2.32%	16,082	2.37%	14,131	1.43%
Loans held for sale	137	8.88%	225	8.82%	168	4.83%
Loans receivable:						
Taxable	751,172	5.37%	751,793	5.35%	740,655	5.04%
Tax-exempt	72,574	3.97%	74,672	3.78%	76,242	3.72%
Total loans receivable	823,746	5.25%	826,465	5.21%	816,897	4.92%
Total Earning Assets	1,207,070	4.49%	1,217,792	4.44%	1,185,175	4.18%
Cash	16,914		17,101		16,874	
Unrealized gain/loss on securities	(4,628)		(10,898)		(5,529)	
Allowance for loan losses	(9,339)		(8,986)		(9,002)	
Bank premises and equipment	14,511		14,735		15,451	
Intangible assets	11,950		11,949		11,954	
Other assets	43,172		44,159		42,781	
Total Assets	\$1,279,650		\$1,285,852		\$1,257,704	
<b>INTEREST-BEARING LIABILITIES</b>						
Interest-bearing deposits:						
Interest checking	\$198,903	0.46%	\$216,757	0.51%	\$212,981	0.34%
Money market	176,869	0.41%	177,461	0.40%	179,923	0.21%
Savings	156,691	0.10%	155,687	0.10%	149,618	0.10%
Certificates of deposit	140,142	1.41%	136,810	1.28%	123,974	1.00%
Individual Retirement Accounts	86,411	0.58%	88,519	0.55%	94,311	0.49%
Other time deposits	762	0.00%	666	0.00%	772	0.00%
Total interest-bearing deposits	759,778	0.56%	775,900	0.54%	761,579	0.39%
Borrowed funds:						
Short-term	15,935	2.01%	12,499	1.46%	52,305	1.54%
Long-term	34,688	2.55%	34,936	2.33%	13,054	2.02%
Total borrowed funds	50,623	2.38%	47,435	2.10%	65,359	1.64%
Total Interest-bearing Liabilities	810,401	0.68%	823,335	0.63%	826,938	0.49%
Demand deposits	261,295		261,118		235,936	
Other liabilities	10,941		11,015		8,870	
Total Liabilities	1,082,637		1,095,468		1,071,744	
Stockholders' equity, excluding accumulated other comprehensive income/loss						
Accumulated other comprehensive income/loss	200,422		198,861		190,129	
Total Stockholders' Equity	(3,409)		(8,477)		(4,169)	
Total Stockholders' Equity	197,013		190,384		185,960	
Total Liabilities and Stockholders' Equity	\$1,279,650		\$1,285,852		\$1,257,704	
Interest Rate Spread		3.81%		3.81%		3.69%
Net Interest Income/Earning Assets		4.04%		4.01%		3.84%
Total Deposits (Interest-bearing and Demand)	\$1,021,073		\$1,037,018		\$997,515	

(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 are presented on an annualized basis.

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

	Three Months Ended		
	March 31, 2019	Dec. 31, 2018	March 31, 2018
Trust and financial management revenue	\$1,360	\$1,463	\$1,422
Brokerage revenue	307	300	212
Insurance commissions, fees and premiums	30	33	44
Service charges on deposit accounts	1,250	1,334	1,204
Service charges and fees	79	80	86
Interchange revenue from debit card transactions	643	666	579
Net gains from sales of loans	87	168	184
Loan servicing fees, net	28	84	128
Increase in cash surrender value of life insurance	92	99	97
Other noninterest income	530	813	450
Total noninterest income, excluding realized gains (losses) on securities, net	\$4,406	\$5,040	\$4,406

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

	Three Months Ended		
	March 31, 2019	Dec. 31, 2018	March 31, 2018
Salaries and wages	\$4,493	\$4,611	\$4,124
Pensions and other employee benefits	1,618	1,212	1,610
Occupancy expense, net	657	599	637
Furniture and equipment expense	301	295	271
Data processing expenses	803	748	641
Automated teller machine and interchange expense	189	316	322
Pennsylvania shares tax	347	320	336
Professional fees	424	280	276
Telecommunications	164	181	233
Directors' fees	183	157	184
Other noninterest expense	1,828	1,355	1,261
Total noninterest expense	\$11,007	\$10,074	\$9,895