

CITIZENS & NORTHERN CORPORATION

July 18, 2019

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C&N DECLARES DIVIDEND AND ANNOUNCES SECOND 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 and six-month periods ended June 30, 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 August 9, 2019 to shareholders of record as of July 29, 2019. Declaration of the dividend was made at the July 18, 2019 meeting of C&N’s Board of Directors.

Merger with Monument Bancorp, Inc.

C&N’s merger with Monument Bancorp, Inc. (“Monument”) was completed April 1, 2019. Monument was the parent company of Monument Bank, a commercial bank which operated two community bank offices and one lending office in Bucks County, Pennsylvania. Total purchase consideration was \$42.7 million, including 1,279,825 shares of C&N common stock issued with a value of \$33.1 million and cash paid totaling \$9.6 million. Holders of Monument common stock prior to the consummation of the merger held approximately 9.4% of C&N’s common stock outstanding immediately following the merger.

In connection with the merger, effective April 1, 2019, C&N recorded goodwill of \$16.7 million and a core deposit intangible asset of \$1.5 million. Total loans acquired on April 1, 2019 were valued at \$259.3 million, while total deposits assumed were valued at \$223.3 million, borrowings were valued at \$111.6 million and subordinated debt was valued at \$12.4 million. The subordinated debt included an instrument with a fair value of \$5.4 million that was redeemed on April 1, 2019 with no realized gain or loss. C&N acquired available-for-sale debt securities valued at \$94.6 million and sold the securities in early April for approximately no realized gain or loss. The assets purchased and liabilities assumed in the merger were recorded at their estimated fair values at the time of closing and may be adjusted for up to one year subsequent to the acquisition.

C&N incurred merger-related expenses in the second quarter 2019 of \$3.3 million, including costs associated with termination of data processing contracts, conversion of Monument’s customer accounting data into C&N’s core system, severance and similar expenses, legal and other professional fees and various other costs. Merger-related expenses for the six months ended June 30, 2019 totaled \$3.6 million. Management expects additional merger-related expenses associated with the Monument merger subsequent to June 30, 2019 will be insignificant.

Unaudited Financial Information

Net income was \$0.27 per diluted share in the second quarter 2019 as compared to \$0.41 in the first quarter 2019 and \$0.52 in the second quarter 2018. For the six months ended June 30, 2019, net income per diluted share was \$0.67 as

Additional highlights related to C&N's second quarter and June 30, 2019 year-to-date unaudited earnings results as compared to the first quarter 2019 and comparative periods of 2018 are presented below.

Second Quarter 2019 as Compared to First Quarter 2019

Net income was \$3,649,000 in the second quarter 2019 as compared to \$5,090,000 in the first quarter 2019. As noted in the table above, second quarter 2019 net income, excluding the impact of merger-related expenses and net securities gains, would be \$6,271,000. Other significant variances were as follows:

- Net interest income increased \$2,490,000 (21.3%) in the second quarter 2019 over the total for the first quarter 2019. Total average earning assets increased \$285.0 million, including an increase in average loans outstanding of \$281.5 million, reflecting the impact of the Monument acquisition as well as robust loan growth during the quarter. Total average deposits increased \$248.1 million, including deposits assumed from Monument and seasonal growth in municipal deposits. The net interest margin was 3.89% for the second quarter 2019, down from 4.04% in the first quarter 2019. The average yield on earning assets increased 0.19% while the average rate paid on interest-bearing liabilities increased 0.44%. The increase in average rate on interest-bearing liabilities resulted primarily from comparatively higher rates on time deposits and short-term borrowings assumed from Monument. Accretion and amortization of purchase accounting-related adjustments from marking financial instruments to fair value had a positive effect on net interest income in the second quarter 2019 of \$214,000, including an increase in income on loans of \$413,000 partially offset by increases in interest expense on time deposits of \$137,000 and on short-term borrowings of \$62,000. The net positive impact to the second quarter 2019 net interest margin from accretion and amortization of purchase accounting adjustments was 0.06%.
- The credit for loan losses (reduction in expense) was \$4,000 in the second quarter 2019 as compared to a credit of \$957,000 in the first quarter 2019. In each of the first two quarters of 2019, the credit for loan losses reflected the impact of eliminations of specific allowances on commercial loans that are no longer considered impaired.
- Noninterest income of \$4,849,000 in the second quarter 2019 was up \$443,000 from the first quarter 2019 total. Total trust and brokerage revenue increased \$277,000 while net gains from sales of residential mortgage loans increased \$134,000. Other noninterest income decreased \$93,000, as the first quarter total included revenue from realization of tax credits of \$152,000 with no corresponding item in the second quarter.
- Noninterest expense, excluding merger-related expenses, totaled \$11,422,000 in the second quarter 2019, an increase of \$726,000 over the first quarter 2019 amount. Salaries and wages expense increased \$783,000, including \$656,000 related to the former Monument operations. Data processing expenses increased \$159,000, mainly due to costs associated with operating two core systems from April 1, 2019 until conversion of former Monument customer data to C&N's core system was completed in late June. Professional fees expense increased \$109,000, including increases in expense related to employee sales and service training and employee recruiting costs. Pensions and other employee benefits expense decreased \$393,000 in the second quarter 2019 from the first quarter total, reflecting the customary seasonal recognition of higher payroll taxes in the first quarter and a \$201,000 credit received in the second quarter for overpayment of claims on C&N's partially self-insured health plan.

Second Quarter 2019 as Compared to Second Quarter 2018

As described above, second quarter 2019 net income was \$3,649,000, and excluding the impact of merger-related expenses and net securities gains, would be \$6,271,000. In comparison, second quarter 2018 net income was \$6,371,000, and excluding net securities gains, would be \$5,212,000. Other significant variances were as follows:

- Second quarter 2019 net interest income of \$14,205,000 was \$2,950,000 (26.2%) higher in the second quarter 2019 as compared to the total for the second quarter 2018. Consistent with the discussion above,

the growth in net interest income resulted mainly from growth related to the Monument acquisition. The net interest margin of 3.89% for the second quarter 2019 was slightly higher than the second quarter 2018 margin of 3.87%. The average yield on earning assets was 0.45% higher in the second quarter 2019 as compared to the same period in 2018, while the average rate paid on interest-bearing liabilities increased 0.60% between periods.

- Second quarter 2019 noninterest income was \$160,000 higher than the second quarter 2018 total. Total trust and brokerage revenue increased \$147,000, interchange revenue from debit card transactions increased \$58,000 and net gains from sales of residential mortgage loans increased \$55,000. Other noninterest income decreased \$92,000, as there was no revenue from realization of tax credits in the second quarter 2019 while the second quarter 2018 total included revenue of \$154,000 from tax credits associated with a donation of real estate.
- Noninterest expense, excluding merger-related expenses, increased \$1,738,000 in the second quarter 2019 over the second quarter 2018 amount. Salaries and wages expense increased \$1,083,000, including \$656,000 related to the former Monument operations and an increase of \$185,000 in cash and stock-based incentive compensation expense. Other noninterest expense increased \$277,000. Within other noninterest expense, expenses and net losses on other real estate properties increased \$137,000, with other increases in loan collection expenses of \$63,000, amortization of core deposit intangibles of \$72,000, credit card operating costs of \$51,000, other taxes of \$36,000 and insurance of \$31,000. Also, within other noninterest expense, donations expense decreased \$249,000 reflecting the second quarter 2018 donation of real estate referred to above that resulted in expense of \$250,000 with no similar item in 2019. Data processing expenses increased \$268,000, reflecting the costs of operating two core processing systems for most of the second quarter 2019 as well as costs related to product development efforts in connection with a fintech organization and other increases in software licensing costs.

Six Months Ended June 30, 2019 as Compared to Six Months Ended June 30, 2018

Net income for the six-month period ended June 30, 2019 was \$8,739,000, or \$0.67 per diluted share, while net income for the first six months of 2018 was \$10,746,000, or \$0.87 per share. Excluding the impact of merger-related expenses and net securities gains, adjusted earnings for the first six months of 2019 would be \$11,606,000 or \$0.89 per share as compared to similarly adjusted earnings of \$9,587,000 or \$0.78 per share for the first six months of 2018. Other significant variances were as follows:

- Net interest income was up \$3,768,000 (17.0%) for the first six months of 2019 over the same period in 2018, reflecting the benefits of growth related to the Monument acquisition. The net interest margin was 3.96% for the first six months of 2019, up from 3.86% in 2018. The net interest margin for the first six months of 2019 included a net positive impact from accretion and amortization of purchase accounting adjustments of 0.03%. For the first six months of 2019, the average yield on earning assets was up 0.38% as compared to the same period in 2018, while the average rate paid on interest-bearing liabilities was up 0.42% between periods. Despite compression in the interest rate spread, the increase in the net interest margin reflected growth in average earning assets of \$157.9 million, while in comparison, average interest-bearing liabilities increased \$106.6 million. The excess growth in earning assets was funded mainly by an increase of \$35.7 million in average noninterest-bearing demand deposits and by an increase in average stockholders' equity (excluding accumulated other comprehensive income) of \$26.9 million.
- The credit for loan losses (reduction in expense) was \$961,000 for the first six months of 2019 as compared to a provision of \$272,000 in the first six months of 2018. The credit for loan losses in 2019 reflects the impact of eliminations of specific allowances on commercial loans that are no longer considered impaired.
- Noninterest income was \$160,000 higher for the first six months of 2019 as compared to the first six months of 2018. Total trust and brokerage revenue increased \$180,000 and interchange revenue from debit card transactions increased \$122,000. Loan servicing fees, net, decreased \$126,000, as the fair value of servicing rights decreased \$148,000 in 2019 as compared to a decrease of \$26,000 in 2018.

- Noninterest expense, excluding merger-related expenses, increased \$2,539,000 for the six months ended June 30, 2019 over the total for the first six months of 2018. Significant variances included the following:
 - Salaries and wages expense increased \$1,452,000, including \$656,000 related to the former Monument operations and an increase of \$351,000 in cash and stock-based incentive compensation expense.
 - Other noninterest expense increased \$735,000. Within other noninterest expense, expenses and net losses on other real estate properties increased \$416,000, with other increases in loan collection expenses of \$172,000, credit card operating costs of \$83,000, amortization of core deposit intangibles of \$73,000, insurance of \$49,000, other taxes of \$36,000 and consulting related to the overdraft privilege program of \$35,000. Also within other noninterest expense, donations expense decreased \$249,000 reflecting the second quarter 2018 donation of real estate referred to above that resulted in expense of \$250,000 with no similar item in 2019.
 - Data processing expenses increased \$430,000, reflecting the costs of operating two core processing systems for most of the second quarter 2019 as well as costs related to product development efforts in connection with a fintech organization and other increases in software licensing costs.
 - Automated teller machine and interchange expense decreased \$175,000, reflecting cost reductions pursuant to a renegotiated service contract.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,609,685,000 at June 30, 2019, up from \$1,290,000,000 at March 31, 2019 and up 25.4% from \$1,284,007,000 at June 30, 2018.
- Net loans outstanding (excluding mortgage loans held for sale) were \$1,108,483,000 at June 30, 2019, up from \$817,136,000 at March 31, 2019 and up 36.9% from \$809,816,000 at June 30, 2018. In comparing outstanding balances at June 30, 2019 and 2018, total commercial loans increased \$167.3 million (47.4%), total residential mortgage loans increased \$126.9 million (28.2%) and total consumer loans increased \$3.9 million (24.5%). At June 30, 2019, the outstanding balance of commercial loan participations with other financial entities was \$66.3 million as compared to \$68.4 million at March 31, 2019 and \$62.9 million at June 30, 2018.
- Total nonperforming assets as a percentage of total assets was 0.95% at June 30, 2019, down from 1.02% at March 31, 2019 and 1.35% at June 30, 2018. Included within nonperforming assets are loans considered impaired upon their purchase from Monument (“PCI Loans”). PCI Loans totaled \$441,000 at April 1, 2019 and June 30, 2019.
- Deposits and repo sweep accounts totaled \$1,287,335,000 at June 30, 2019, up from \$1,045,043,000 at March 31, 2019 and up 23.1% from \$1,046,068,000 at June 30, 2018.
- Total shareholders’ equity was \$239,716,000 at June 30, 2019, up from \$202,127,000 at March 31, 2019 and \$189,179,000 at June 30, 2018. Within shareholders’ equity, the portion of accumulated other comprehensive income (loss) related to available-for-sale debt securities was \$3,138,000 at June 30, 2019, up from (\$941,000) at March 31, 2019 and (\$6,476,000) at June 30, 2018. Fluctuations in accumulated other comprehensive income (loss) 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 June 30, 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 \$948,998,000 at June 30, 2019, up from \$924,080,000 at March 31, 2019 and up 2.4% from \$927,089,000 at June 30, 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. 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.

CITIZENS & NORTHERN CORPORATION

June 30, 2019

QUARTERLY REPORT

Dear Shareholder:

The entire C&N Team produced at an exceptional level during Q2 as the Company turned to the future with the closing of the Monument acquisition, ramp up of the York LPO, and introduction of a refreshed brand. It is a significant moment in our long history and the Team delivered.

During the second quarter our top priority has been the systems conversion with Monument and related training efforts. The integration team did an outstanding job conversion weekend and significant on-site support has helped to smooth the transition for customers and staff in the Bucks County market. That group will remain active over the next six to twelve months to complete the integration of cultures, support ongoing customer and staff education, and build-out of C&N's relationship management model and process. Management is evaluating the overall integration process and documenting strengths and weaknesses that will improve execution on our next acquisition.

The York loan production office is off to a fast start and we are optimistic about achieving the targets that were set when we launched this effort. A strong core team is operating in the market and we continue to add talent that fits our culture and style of banking. We plan to expand our presence in the south-central PA market methodically and opportunistically in the next several years.

The branding project that has been underway since we announced the Monument acquisition launched into the public phase during the second quarter. Our objectives were to refresh and energize the Citizens & Northern brand, eliminate potential confusion with competitors, and remain connected with our historic branding in legacy markets. We believe that the refreshed C&N branding positions us to achieve these goals and we have received positive feedback to date. This effort will continue to roll out through the remainder of 2019 and is aligned with our culture and strategy as we move to the future.

All of these efforts have energized the C&N Team and enhance the value we work to create for our customers in our legacy markets, as well. The strong core franchise built over the years enables us to pursue growth and expansion, and we remain focused on strengthening existing relationships and communities. The teams serving these markets are outstanding and are fully engaged.

Earnings growth is another ongoing priority. Although second quarter results are difficult to assess given the noise of merger expenses and related market value adjustments, core earnings remain strong. Net income in the second quarter of 2019, excluding merger related items and securities gains, increased by approximately 20% compared to the second quarter of 2018 while EPS increased just under 10%. Year-to-date, on the same basis, net income increased 21% and EPS grew 14%. The drivers include stronger net interest income, consistent overall levels of noninterest income, and managed growth in noninterest expenses. Second quarter loan loss provision was essentially \$0 which followed a \$957,000 credit in the first quarter. The reduction in provisions reflects ongoing improvement in credit quality metrics and has enhanced earnings during the first half of 2019.

Third quarter results should provide more clarity on our run rate earnings and the impact of expansion activities as nearly all the merger related expenses have been captured during the first half of the year.

C&N's capital position enables the Company to pursue growth and expansion and it remains strong following the Monument acquisition. When coupled with our positive earnings, these capital levels support our plans for future growth and continuation of a strong cash dividend. On July 18, 2019, the Board of Directors declared a cash dividend on common stock of \$.27 per share payable on August 9, 2019 to shareholders of record on July 29, 2019. This results in an annual dividend of \$1.08 and annualized yield of 4.10% based on C&N's June 30, 2019 closing price of \$26.33.

Finally, at the Annual Shareholders meeting C&N welcomed Clark Frame to the Board. Clark was a founder and Chairman and CEO of Monument Bank for the past eleven years and has had a lengthy career in our industry. His experience, knowledge, and insights into the southeastern PA market will be invaluable as we work to build our franchise together.

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

A handwritten signature in cursive script that reads "J. Bradley Scovill".

J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	2ND QUARTER 2019 <u>(Current)</u>	2ND QUARTER 2018 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$17,139	\$12,334	\$4,805	38.96%
Interest Expense	2,934	1,079	1,855	171.92%
Net Interest Income	14,205	11,255	2,950	26.21%
Credit for Loan Losses	(4)	(20)	16	-80.00%
Net Interest Income After Credit for Loan Losses	14,209	11,275	2,934	26.02%
Noninterest Income	4,849	4,689	160	3.41%
Gain on Restricted Equity Security	0	1,750	(1,750)	-100.00%
Net Gains (Losses) on Available-for-sale Debt Securities	7	(282)	289	-102.48%
Merger-Related Expenses	3,301	0	3,301	
Other Noninterest Expenses	11,422	9,684	1,738	17.95%
Income Before Income Tax Provision	4,342	7,748	(3,406)	-43.96%
Income Tax Provision	693	1,377	(684)	-49.67%
Net Income	\$3,649	\$6,371	(\$2,722)	-42.72%
Net Income Attributable to Common Shares (1)	\$3,630	\$6,339	(\$2,709)	-42.74%
PER COMMON SHARE DATA:				
Net Income - Basic	\$0.27	\$0.52	(\$0.25)	-48.08%
Net Income - Diluted	\$0.27	\$0.52	(\$0.25)	-48.08%
Dividend Per Share - Quarterly	\$0.27	\$0.27	\$0.00	0.00%
Number of Shares Used in Computation - Basic	13,597,848	12,210,902		
Number of Shares Used in Computation - Diluted	13,622,954	12,248,145		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	6 MONTHS ENDED JUNE 30,			
	2019 <u>(Current)</u>	2018 <u>(Prior Year)</u>	<u>\$ Incr. (Decr.)</u>	<u>% Incr. (Decr.)</u>
Interest and Dividend Income	\$30,204	\$24,224	\$5,980	24.69%
Interest Expense	4,284	2,072	2,212	106.76%
Net Interest Income	25,920	22,152	3,768	17.01%
(Credit) Provision for Loan Losses	(961)	272	(1,233)	-453.31%
Net Interest Income After (Credit) Provision for Loan Losses	26,881	21,880	5,001	22.86%
Noninterest Income	9,255	9,095	160	1.76%
Gain on Restricted Equity Security	0	1,750	(1,750)	-100.00%
Net Gains (Losses) on Available-for-sale Debt Securities	7	(282)	289	-102.48%
Merger-Related Expenses	3,612	0	3,612	
Other Noninterest Expenses	22,118	19,579	2,539	12.97%
Income Before Income Tax Provision	10,413	12,864	(2,451)	-19.05%
Income Tax Provision	1,674	2,118	(444)	-20.96%
Net Income	\$8,739	\$10,746	(\$2,007)	-18.68%
Net Income Attributable to Common Shares (1)	\$8,693	\$10,691	(\$1,998)	-18.69%
PER COMMON SHARE DATA:				
Net Income - Basic	\$0.67	\$0.88	(\$0.21)	-23.86%
Net Income - Diluted	\$0.67	\$0.87	(\$0.20)	-22.99%
Dividend Per Share - Quarterly	\$0.54	\$0.54	\$0.00	0.00%
Dividend Per Share - Special	\$0.10	\$0.00	\$0.10	
Number of Shares Used in Computation - Basic	12,956,916	12,200,245		
Number of Shares Used in Computation - Diluted	12,982,361	12,236,518		

(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)

	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2019 vs 2018	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$39,505	\$51,475	(\$11,970)	-23.25%
Available-for-sale Debt Securities	363,465	348,044	15,421	4.43%
Loans Held for Sale	1,131	177	954	538.98%
Loans, Net	1,108,483	809,816	298,667	36.88%
Intangible Assets	30,013	11,952	18,061	151.11%
Other Assets	67,088	62,543	4,545	7.27%
TOTAL ASSETS	\$1,609,685	\$1,284,007	\$325,678	25.36%
LIABILITIES				
Deposits	\$1,284,143	\$1,040,899	\$243,244	23.37%
Repo Sweep Accounts	3,192	5,169	(1,977)	-38.25%
Total Deposits and Repo Sweeps	1,287,335	1,046,068	241,267	23.06%
Borrowed Funds	62,574	39,054	23,520	60.22%
Subordinated Debt	7,000	0	7,000	
Other Liabilities	13,060	9,706	3,354	34.56%
TOTAL LIABILITIES	1,369,969	1,094,828	275,141	25.13%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated				
Other Comprehensive Income (Loss)	236,284	195,518	40,766	20.85%
Accumulated Other Comprehensive Income (Loss):				
Net Unrealized Gains/Losses on				
Available-for-sale Debt Securities	3,138	(6,476)	9,614	-148.46%
Defined Benefit Plans	294	137	157	114.60%
TOTAL SHAREHOLDERS' EQUITY	239,716	189,179	50,537	26.71%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,609,685	\$1,284,007	\$325,678	25.36%

EXHIBIT 99.3 – Supplemental, Unaudited Financial Information

CITIZENS & NORTHERN
CORPORATION

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	AS OF OR FOR THE SIX MONTHS ENDED		% INCREASE (DECREASE)
	JUNE 30,		
	<u>2019</u>	<u>2018</u>	
EARNINGS PERFORMANCE			
Net Income	\$8,739	\$10,746	-18.68%
Return on Average Assets (Annualized)	1.21%	1.70%	-28.82%
Return on Average Equity (Annualized)	8.07%	11.56%	-30.19%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,609,685	\$1,284,007	25.36%
Available-for-Sale Debt Securities	363,465	348,044	4.43%
Loans (Net)	1,108,483	809,816	36.88%
Allowance for Loan Losses	8,200	8,831	-7.15%
Deposits and Repo Sweep Accounts	1,287,335	1,046,068	23.06%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	\$172,910	\$171,543	0.80%
Trust Assets Under Management	948,998	927,089	2.36%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$0.67	\$0.88	-23.86%
Net Income - Diluted	\$0.67	\$0.87	-22.99%
Dividends – Quarterly	\$0.54	\$0.54	0.00%
Dividends – Special	\$0.10	\$0.00	
Common Book Value	\$17.51	\$15.40	13.70%
Tangible Common Book Value (a)	\$15.32	\$14.43	6.17%
Market Value (Last Trade)	\$26.33	\$25.86	1.82%
Market Value / Common Book Value	150.37%	167.92%	-10.45%
Market Value / Tangible Common Book Value	171.87%	179.21%	-4.10%
Price Earnings Multiple (Annualized)	19.65	14.69	33.76%
Dividend Yield (Annualized, Excluding Special Dividend)	4.10%	4.18%	-1.91%
Common Shares Outstanding, End of Period	13,687,999	12,280,538	11.46%

CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS (Continued)

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

	AS OF OR FOR THE SIX MONTHS ENDED JUNE 30,		% INCREASE (DECREASE)
	<u>2019</u>	<u>2018</u>	
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets (a)	13.28%	13.93%	-4.67%
Nonperforming Assets / Total Assets	0.91%	1.35%	-32.59%
Allowance for Loan Losses / Total Loans	0.73%	1.08%	-32.41%
Total Risk Based Capital Ratio (b)	20.66%	23.82%	-13.27%
Tier 1 Risk Based Capital Ratio (b)	19.22%	22.70%	-15.33%
Common Equity Tier 1 Risk Based Capital Ratio (b)	19.22%	22.70%	-15.33%
Leverage Ratio (b)	13.14%	14.52%	-9.50%
AVERAGE BALANCES			
Average Assets	\$1,440,745	\$1,263,473	14.03%
Average Equity	\$216,589	\$185,984	16.46%
EFFICIENCY RATIO (c)			
Net Interest Income on a Fully Taxable-Equivalent Basis (c)	\$26,486	\$22,812	16.11%
Noninterest Income	9,255	9,095	1.76%
Total (1)	\$35,741	\$31,907	12.02%
Noninterest Expense Excluding Merger Expenses (2)	\$22,118	\$19,579	12.89%
Efficiency Ratio = (2)/(1)	61.88%	61.36%	0.85%

(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	\$1,609,685	\$1,284,007
Less: Intangible Assets, Primarily Goodwill	(30,013)	(11,952)
Tangible Assets	\$1,579,672	\$1,272,055
Total Shareholders' Equity	\$239,716	\$189,179
Less: Intangible Assets, Primarily Goodwill	(30,013)	(11,952)
Tangible Common Equity (3)	\$209,703	\$177,227
Common Shares Outstanding, End of Period (4)	13,687,999	12,280,538
Tangible Common Book Value per Share = (3)/(4)	\$15.32	\$14.43

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

(c) The efficiency ratio is a non-GAAP ratio that is calculated as shown above. For purposes of calculating the efficiency ratio, net interest income on a fully taxable-equivalent basis includes amounts of interest income on tax-exempt securities and loans that have been increased to a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%. In the calculation above, management excluded 2019 expenses of \$3.612 million related to the acquisition of Monument Bancorp, Inc. which closed on April 1, 2019. These expenses include costs associated with termination of data processing contracts, conversion of Monument's customer accounting data into the Corporation's core system, severance and similar expenses, professional fees and other expenses.

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

For the Three Months Ended:

	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
Interest income	\$17,139	\$13,065	\$13,304	\$12,800	\$12,334	\$11,890
Interest expense	2,934	1,350	1,312	1,241	1,079	993
Net interest income	14,205	11,715	11,992	11,559	11,255	10,897
(Credit) provision for loan losses	(4)	(957)	252	60	(20)	292
Net interest income after (credit) provision for loan losses	14,209	12,672	11,740	11,499	11,275	10,605
Noninterest income	4,849	4,406	5,040	4,462	4,689	4,406
Net gains (losses) on securities	7	0	(4)	569	1,468	0
Merger-related expenses	3,301	311	127	200	0	0
Other noninterest expenses	11,422	10,696	9,947	9,633	9,684	9,895
Income before income tax provision	4,342	6,071	6,702	6,697	7,748	5,116
Income tax provision	693	981	1,021	1,111	1,377	741
Net income	\$3,649	\$5,090	\$5,681	\$5,586	\$6,371	\$4,375
Net income attributable to common shares	\$3,630	\$5,063	\$5,654	\$5,558	\$6,339	\$4,352
Basic earnings per common share	\$0.27	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36
Diluted earnings per common share	\$0.27	\$0.41	\$0.46	\$0.45	\$0.52	\$0.36

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

As of:

	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
ASSETS						
Cash & Due from Banks	\$39,505	\$44,002	\$37,487	\$38,341	\$51,475	\$36,860
Available-for-Sale Debt Securities	363,465	357,646	363,273	358,706	348,044	341,133
Loans Held for Sale	1,131	0	213	551	177	225
Loans, Net	1,108,483	817,136	818,254	813,717	809,816	808,300
Intangible Assets	30,013	11,949	11,951	11,951	11,952	11,953
Other Assets	67,088	59,267	59,715	62,173	62,543	59,645
TOTAL ASSETS	\$1,609,685	\$1,290,000	\$1,290,893	\$1,285,439	\$1,284,007	\$1,258,116
LIABILITIES						
Deposits	\$1,284,143	\$1,039,911	\$1,033,772	\$1,043,947	\$1,040,899	\$1,018,081
Repo Sweep Accounts	3,192	5,132	5,853	5,421	5,169	5,482
Total Deposits and Repo Sweeps	1,287,335	1,045,043	1,039,625	1,049,368	1,046,068	1,023,563
Borrowed Funds	62,574	32,844	42,915	35,985	39,054	39,122
Subordinated Debt	7,000	0	0	0	0	0
Other Liabilities	13,060	9,986	10,985	10,099	9,706	9,049
TOTAL LIABILITIES	1,369,969	1,087,873	1,093,525	1,095,452	1,094,828	1,071,734
SHAREHOLDERS' EQUITY						
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	236,284	202,768	201,538	198,355	195,518	191,920
Accumulated Other Comprehensive Income (Loss):						
Net Unrealized Gains (Losses) on						
Available-for-sale Securities	3,138	(941)	(4,307)	(8,502)	(6,476)	(5,679)
Defined Benefit Plans Adjustment, Net	294	300	137	134	137	141
TOTAL SHAREHOLDERS' EQUITY	239,716	202,127	197,368	189,987	189,179	186,382
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,609,685	\$1,290,000	\$1,290,893	\$1,285,439	\$1,284,007	\$1,258,116

AVAILABLE-FOR-SALE DEBT SECURITIES (In Thousands)	June 30, 2019		March 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$16,918	\$17,570	\$11,916	\$12,265	\$12,331	\$12,500
Obligations of states and political subdivisions:						
Tax-exempt	73,897	75,499	75,910	76,902	84,204	83,952
Taxable	30,591	31,509	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	55,098	55,141	57,727	57,049	54,827	53,445
Residential collateralized mortgage obligations	139,513	139,484	142,642	140,722	148,964	145,912
Commercial mortgage-backed securities	43,476	44,262	40,583	40,273	40,781	39,765
Total Available-for-Sale Debt Securities	\$359,493	\$363,465	\$358,837	\$357,646	\$368,725	\$363,273

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

	June 30, 2019	March 31, 2019	Dec. 31, 2018	June 30, 2018
Residential mortgage:				
Residential mortgage loans - first liens	\$484,479	\$374,764	\$372,339	\$361,592
Residential mortgage loans - junior liens	28,880	25,538	25,450	26,594
Home equity lines of credit	35,224	32,847	34,319	34,852
1-4 Family residential construction	27,994	24,437	24,698	26,722
Total residential mortgage	576,577	457,586	456,806	449,760
Commercial:				
Commercial loans secured by real estate	279,267	160,177	162,611	159,392
Commercial and industrial	115,264	92,842	91,856	88,499
Political subdivisions	52,308	52,142	53,263	56,690
Commercial construction and land	21,197	12,701	11,962	13,066
Loans secured by farmland	7,251	6,938	7,146	7,397
Multi-family (5 or more) residential	26,749	7,031	7,180	7,860
Agricultural loans	5,234	5,471	5,659	5,622
Other commercial loans	13,037	13,467	13,950	14,455
Total commercial	520,307	350,769	353,627	352,981
Consumer	19,799	17,037	17,130	15,906
Total	1,116,683	825,392	827,563	818,647
Less: allowance for loan losses	(8,200)	(8,256)	(9,309)	(8,831)
Loans, net	\$1,108,483	\$817,136	\$818,254	\$809,816

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

	June 30, 2019	March 31, 2019	Dec. 31, 2018	June 30, 2018
Residential mortgage loans originated and serviced - outstanding balance	\$174,041	\$170,676	\$171,955	\$171,720
Less: outstanding balance of loans sold	(172,910)	(170,676)	(171,742)	(171,543)
Loans held for sale, net	\$1,131	\$0	\$213	\$177

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended June 30, 2019	3 Months Ended March 31, 2019	6 Months Ended June 30, 2019	6 Months Ended June 30, 2018
Balance, beginning of period	\$8,256	\$9,309	\$9,309	\$8,856
Charge-offs	(68)	(111)	(179)	(326)
Recoveries	16	15	31	29
Net charge-offs	(52)	(96)	(148)	(297)
(Credit) provision for loan losses	(4)	(957)	(961)	272
Balance, end of period	\$8,200	\$8,256	\$8,200	\$8,831

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

	June 30, 2019	March 31, 2019	Dec 31, 2018	June 30, 2018
Impaired loans with a valuation allowance	\$1,785	\$2,769	\$4,851	\$3,652
Impaired loans without a valuation allowance	4,479	3,728	4,923	4,346
Total impaired loans	\$6,264	\$6,497	\$9,774	\$7,998
Total loans past due 30-89 days and still accruing	\$4,407	\$7,123	\$7,142	\$3,921
Nonperforming assets:				
Total nonaccrual loans	\$9,289	\$9,441	\$13,113	\$11,230
Total loans past due 90 days or more and still accruing	2,631	1,902	2,906	3,195
Total nonperforming loans	11,920	11,343	16,019	14,425
Foreclosed assets held for sale (real estate)	3,305	1,875	1,703	2,897
Total nonperforming assets	\$15,225	\$13,218	\$17,722	\$17,322
Loans subject to troubled debt restructurings (TDRs):				
Performing	\$2,050	\$776	\$655	\$753
Nonperforming	1,299	774	2,884	2,951
Total TDRs	\$3,349	\$1,550	\$3,539	\$3,704
Total nonperforming loans as a % of loans	1.07%	1.37%	1.94%	1.76%
Total nonperforming assets as a % of assets	0.95%	1.02%	1.37%	1.35%
Allowance for loan losses as a % of total loans (1)	0.73%	1.00%	1.12%	1.08%
Allowance for loan losses as a % of nonperforming loans	68.79%	72.78%	58.11%	61.22%

- (1) Effective April 1, 2019, C&N recorded loans purchased from Monument at fair value. Loans identified as having a deterioration in credit quality were valued at \$441,000 at April 1, 2019 and June 30, 2019. The remainder of the portfolio was determined to be the performing component of the portfolio, valued at \$258,884,000 at April 1, 2019. The calculation of fair value included a discount for credit losses of \$1,907,000, reflecting an estimate of the present value of credit losses based on market expectations. None of the performing loans purchased were found to be impaired in the second quarter 2019; accordingly, there was no allowance for loan losses on loans purchased from Monument at June 30, 2019.

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

	3 Months Ended 6/30/2019 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 3/31/2019 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 6/30/2018 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Interest-bearing due from banks	\$22,398	2.67%	\$20,306	2.32%	\$22,286	1.73%
Available-for-sale debt securities, at amortized cost:						
Taxable	289,041	2.53%	281,805	2.64%	247,809	2.24%
Tax-exempt	73,928	3.60%	80,124	3.79%	102,801	3.50%
Total available-for-sale debt securities	362,969	2.75%	361,929	2.89%	350,610	2.61%
Loans receivable:						
Taxable	1,035,672	5.46%	751,172	5.37%	747,889	5.14%
Tax-exempt	69,571	3.78%	72,574	3.97%	77,616	3.65%
Total loans receivable	1,105,243	5.35%	823,746	5.25%	825,505	5.00%
Other earning assets	1,423	3.10%	1,089	3.35%	1,219	3.29%
Total Earning Assets	1,492,033	4.68%	1,207,070	4.49%	1,199,620	4.23%
Cash	20,325		16,914		18,010	
Unrealized gain/loss on securities	(101)		(4,628)		(8,242)	
Allowance for loan losses	(8,378)		(9,339)		(9,161)	
Bank premises and equipment	16,214		14,511		15,425	
Intangible assets	30,040		11,950		11,952	
Other assets	49,935		43,172		41,575	
Total Assets	\$1,600,068		\$1,279,650		\$1,269,179	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$218,731	0.58%	\$198,903	0.46%	\$217,607	0.39%
Money market	199,092	0.51%	176,869	0.41%	180,667	0.27%
Savings	173,922	0.17%	156,691	0.10%	152,663	0.10%
Time deposits	383,361	1.80%	227,315	1.09%	229,420	0.88%
Total interest-bearing deposits	975,106	0.97%	759,778	0.56%	780,357	0.45%
Borrowed funds:						
Short-term	37,279	2.45%	15,935	2.01%	23,610	1.39%
Long-term	35,167	2.60%	34,688	2.55%	22,174	2.13%
Subordinated debt	7,000	6.59%	0	0.00%	0	0.00%
Total borrowed funds	79,446	2.88%	50,623	2.38%	45,784	1.75%
Total Interest-bearing Liabilities	1,054,552	1.12%	810,401	0.68%	826,141	0.52%
Demand deposits	294,112		261,295		248,182	
Other liabilities	15,454		10,941		8,848	
Total Liabilities	1,364,118		1,082,637		1,083,171	
Stockholders' equity, excluding accumulated other comprehensive income/loss	235,733		200,422		192,375	
Accumulated other comprehensive income/loss	217		(3,409)		(6,367)	
Total Shareholders' Equity	235,950		197,013		186,008	
Total Liabilities and Shareholders' Equity	\$1,600,068		\$1,279,650		\$1,269,179	
Interest Rate Spread		3.56%		3.81%		3.71%
Net Interest Income/Earning Assets		3.89%		4.04%		3.87%
Total Deposits (Interest-bearing and Demand)	\$1,269,218		\$1,021,073		\$1,028,539	

(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)**

	6 Months Ended 6/30/2019 Average Balance	Rate of Return/ Cost of Funds %	6 Months Ended 6/30/2018 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Interest-bearing due from banks	\$21,358	2.50%	\$18,231	1.61%
Available-for-sale debt securities, at amortized cost:				
Taxable	285,443	2.59%	248,819	2.22%
Tax-exempt	77,009	3.70%	102,988	3.51%
Total available-for-sale debt securities	362,452	2.82%	351,807	2.60%
Loans receivable:				
Taxable	894,208	5.42%	744,292	5.09%
Tax-exempt	71,064	3.88%	76,933	3.69%
Total loans receivable	965,272	5.31%	821,225	4.96%
Other earning assets	1,257	3.21%	1,175	2.92%
Total Earning Assets	1,350,339	4.59%	1,192,438	4.21%
Cash	18,629		17,445	
Unrealized gain/loss on securities	(2,352)		(6,893)	
Allowance for loan losses	(8,856)		(9,082)	
Bank premises and equipment	15,367		15,438	
Intangible assets	21,045		11,953	
Other assets	46,573		42,174	
Total Assets	\$1,440,745		\$1,263,473	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$208,872	0.53%	\$215,307	0.37%
Money market	188,042	0.46%	180,297	0.24%
Savings	165,354	0.14%	151,149	0.10%
Time deposits	305,769	1.53%	224,267	0.83%
Total interest-bearing deposits	868,037	0.79%	771,020	0.42%
Borrowed funds:				
Short-term	26,666	2.32%	37,878	1.50%
Long-term	34,929	2.57%	17,639	2.09%
Subordinated debt	3,520	6.59%	0	0.00%
Total borrowed funds	65,115	2.69%	55,517	1.69%
Total Interest-bearing Liabilities	933,152	0.93%	826,537	0.51%
Demand deposits	277,794		242,093	
Other liabilities	13,210		8,859	
Total Liabilities	1,224,156		1,077,489	
Stockholders' equity, excluding accumulated other comprehensive income/loss	218,175		191,258	
Accumulated other comprehensive income/loss	(1,586)		(5,274)	
Total Shareholders' Equity	216,589		185,984	
Total Liabilities and Shareholders' Equity	\$1,440,745		\$1,263,473	
Interest Rate Spread		3.66%		3.70%
Net Interest Income/Earning Assets		3.96%		3.86%
 Total Deposits (Interest-bearing and Demand)	 \$1,145,831		 \$1,013,113	

(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% in 2018.

(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			Six Months Ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Trust and financial management revenue	\$1,583	\$1,360	\$1,526	\$2,943	\$2,948
Brokerage revenue	361	307	271	668	483
Insurance commissions, fees and premiums	48	30	13	78	57
Service charges on deposit accounts	1,277	1,250	1,302	2,527	2,506
Service charges and fees	89	79	82	168	168
Interchange revenue from debit card transactions	699	643	641	1,342	1,220
Net gains from sales of loans	221	87	166	308	350
Loan servicing fees, net	35	28	61	63	189
Increase in cash surrender value of life insurance	99	92	98	191	195
Other noninterest income	437	530	529	967	979
Total noninterest income, excluding realized gains (losses) on securities, net	\$4,849	\$4,406	\$4,689	\$9,255	\$9,095

COMPARISON OF NONINTEREST EXPENSE
(In Thousands)

	Three Months Ended			Six Months Ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Salaries and wages	\$5,276	\$4,493	\$4,193	\$9,769	\$8,317
Pensions and other employee benefits	1,225	1,618	1,200	2,843	2,810
Occupancy expense, net	665	657	613	1,322	1,250
Furniture and equipment expense	333	301	313	634	584
Data processing expenses	962	803	694	1,765	1,335
Automated teller machine and interchange expense	277	189	319	466	641
Pennsylvania shares tax	347	347	336	694	672
Professional fees	331	222	279	553	555
Telecommunications	176	164	157	340	390
Directors' fees	141	183	168	324	352
Other noninterest expense	1,689	1,719	1,412	3,408	2,673
Total noninterest expense, excluding merger-related expenses	11,422	10,696	9,684	22,118	19,579
Merger-related expenses	3,301	311	0	3,612	0
Total noninterest expense	\$14,723	\$11,007	\$9,684	\$25,730	\$19,579