

BANCNOTES

Third Quarter, 2019



New C&N signage on our Williamsport branch



Small&Mighty - C&N's app is now compatible with Apple Watch™



Ryan Eck, Brenda Mitchell & Stacy Elliott prepared care packages for our troops

Dear Shareholder:

As you would expect, the ongoing integration of the Monument Bank franchise remained a focus at C&N, following the successful June 24th systems conversion. The transition of Monument customers to C&N's products and systems went very smoothly and our Team worked well to address various challenges following the changeover. As this important effort settles in, we are turning our attention to the regional market plan and fully implementing our sales and relationship model. We are leveraging corporate resources and methodically building in-market capacity to deliver treasury/cash management, mortgage, and wealth management services, as well as enhanced mobile and online capabilities, to current and prospective customers. The additional services and delivery channels will enhance the customer experience and create value as we meet a broader range of needs and deepen relationships. We have been pleased with the collaboration throughout the process and our results to-date.

There is a similar theme with the York loan production office. The Team continues to deliver strong loan growth and is building its impact in the market. They are working hard at implementing a market plan to add relationship bankers and capacity to the region.

It is important to note that the regional Teams in C&N's legacy markets continue to drive results and expand relationships, as well. We broke ground for the new

Towanda office on September 25th and expect to open this state-of-the-art facility in the spring of next year. Our focus over the past several years to build a sustainable, value driven business model is maturing, as is the underlying capacity of our marketing Team and related technology. The brand refresh we introduced last quarter has been well-received and will be essentially completed during the fourth quarter.

Net income in the third quarter of 2019, excluding merger related items and securities gains, increased by approximately 2% compared to the third quarter of 2018 while EPS decreased 7%, the difference due to the additional shares issued in the Monument acquisition. Year-to-date, on the same basis, adjusted net income increased 14% and adjusted EPS grew 8%. The drivers include stronger net interest income, increased overall levels of noninterest income, and managed growth in noninterest expenses. The consistent positive trends in these key areas continue to support an increased run rate in core earnings. Looking forward, the economy appears to be solid despite an unsettled political environment. Fed policy and the return to a flat yield curve inside the extended low interest rate environment present an ongoing challenge to sustaining the net interest margin.

Third quarter results were impacted by a loan loss provision \$1.16 million compared to \$60,000 in the third

EMPLOYEE CONNECTION

C&N • United in Service



Brad Scovill, C&N President & CEO (right) with C&N employees who are retiring at the end of the year. From left, Nola Gross (44 years of service), Terry Turner, (19 years of service), Nancy Tubbs (34 years of service) and Sandra Rush (7 years of service).

On October 14, 2019, the C&N family came together at the South Williamsport High School. The theme of the day was 'United in Service,' a nod to this year's cause for Giving Back, Giving Together, as well as our ever-present goal of working together to create value for our customers. The day was spent connecting as a team, learning new things, celebrating each others' successes, building relationships and having fun!

In the morning, the team learned a new technique for quickly developing successful, innovative ideas. Everyone broke up into small teams and created new ways to improve current processes. Team members were engaged and identified opportunities for innovation and improvement that may be implemented at C&N. Going forward, this new methodology can be applied to their daily processes. This new approach will become more standardized throughout the organization over time and provide the entire team with a vehicle to share their ideas.

Over lunch, team members throughout the C&N footprint were given another opportunity to connect with one another. They wrote thank you cards to be distributed to active and retired military servicemembers. Following lunch, C&N honored four employees who will retire this year and shared success stories of teamwork, overcoming hurdles and delivering excellent customer service.

The day concluded with a jam session led by Drum Café®. Through the guidance of their instructors, C&N employees demonstrated the value of Teamwork and proved that they can accomplish great things when working together.

The day was highly successful, full of building new and stronger relationships, creating innovative ideas, celebrating successes and having fun!

(President's letter continued)

quarter of 2018, and credits to the provision during the first two quarters of 2019. The higher provision this quarter was primarily due to a specific reserve on one problem loan of \$678,000, combined with an increased provision required to provide for ongoing loan growth.

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 October 17, 2019, the Board of Directors declared a cash dividend on common stock of \$.27 per share payable on November 8, 2019. This results in an annual dividend of \$1.08 and annualized yield of 4.11% based on C&N's September 30, 2019 closing price of \$26.28.

Thank you to all our loyal shareholders for your continued support and interest in C&N.

J. Bradley Scovill
President and CEO



UNAUDITED FINANCIAL INFORMATION

Additional details on our Third Quarter financial results can be found on the Investor Relations section at cnbankpa.com.

CONDENSED, CONSOLIDATED EARNINGS INFORMATION (Dollars in Thousands, Except Per Share Data) (Unaudited)	Q-3, 2019 (Current)	Q-3, 2018 (Current)	\$ INCREASE (Decrease)	% INCREASE (Decrease)
Interest and Dividend Income	\$17,277	\$12,800	\$4,477	34.98%
Interest Expense	3,000	1,241	1,759	141.74%
Net Interest Income	14,277	11,559	2,718	23.51%
Provision for Loan Losses	1,158	60	1,098	1830.00%
Net Interest Income After Provision for Loan Losses	13,119	11,499	1,620	14.09%
Noninterest Income	4,963	4,462	501	11.23%
Gain on Restricted Equity Security	0	571	(571)	-100.00%
Net Gains (Losses) on Available-for-sale Debt Securities	13	(2)	15	-750.00%
Merger-Related Expenses	206	200	6	3.00%
Other Noninterest Expenses	11,486	9,633	1,853	19.24%
Income Before Income Tax Provision	6,403	6,697	(294)	-4.39%
Income Tax Provision	1,096	1,111	(15)	-1.35%
Net Income	\$5,307	\$5,586	(\$279)	-4.99%
Net Income Attributable to Common Shares (1)	\$5,281	\$5,558	(\$277)	-4.98%

PER COMMON SHARE DATA:

Net Income - Basic	\$0.39	\$0.45	(\$0.06)	-13.33%
Net Income - Diluted	\$0.39	\$0.45	(\$0.06)	-13.33%
Dividend Per Share - Quarterly	\$0.27	\$0.27	\$0.00	0.00%
Number of Shares Used in Computation - Basic	13,627,676	12,228,833		
Number of Shares Used in Computation - Diluted	13,646,818	12,271,536		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION (Dollars in Thousands Except Per Share Data) (Unaudited)	9 MONTHS ENDED SEPTEMBER 30, 2019 (Current)	9 MONTHS ENDED SEPTEMBER 30, 2018 (Prior Year)	\$ INCREASE (Decrease)	% INCREASE (Decrease)
Interest and Dividend Income	\$47,481	\$37,024	\$10,457	28.24%
Interest Expense	7,284	3,313	3,971	119.86%
Net Interest Income	40,197	33,711	6,486	19.24%
Provision for Loan Losses	197	332	(135)	-40.66%
Net Interest Income After Provision for Loan Losses	40,000	33,379	6,621	19.84%
Noninterest Income	14,218	13,557	661	4.88%
Gain on Restricted Equity Security	0	2,321	(2,321)	-100.00%
Net Gains (Losses) on Available-for-sale Debt Securities	20	(284)	304	-107.04%
Merger-Related Expenses	3,818	200	3,618	1809.00%
Other Noninterest Expenses	33,604	29,212	4,392	15.03%
Income Before Income Tax Provision	16,816	19,561	(2,745)	-14.03%
Income Tax Provision	2,770	3,229	(459)	-14.21%
Net Income	\$14,046	\$16,332	(\$2,286)	-14.00%
Net Income Attributable to Common Shares (1)	\$13,974	\$16,249	(\$2,275)	-14.00%

PER COMMON SHARE DATA:

Net Income - Basic	\$1.06	\$1.33	(\$0.27)	-20.30%
Net Income - Diluted	\$1.06	\$1.33	(\$0.27)	-20.30%
Dividend Per Share - Quarterly	\$0.81	\$0.81	\$0.00	0.00%
Dividend Per Share - Special	\$0.10	\$0.00	\$0.10	
Number of Shares Used in Computation - Basic	13,182,960	12,209,879		
Number of Shares Used in Computation - Diluted	13,206,244	12,248,669		

(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)	SEPTEMBER 30, 2019 (Current)	SEPTEMBER 30, 2018 (Prior Year)	SEPTEMBER 30, 2019 VS 2018 \$ Increase (Decrease)	% INCREASE (Decrease)
ASSETS:				
Cash & Due from Banks	\$51,443	\$38,341	\$13,102	34.17%
Available-for-sale Debt Securities	363,467	358,706	4,761	1.33%
Loans Held for Sale	2,033	551	1,482	268.97%
Loans, Net	1,130,143	813,717	316,426	38.89%
Intangible Assets	29,939	11,951	17,988	150.51%
Other Assets	65,562	62,173	3,389	5.45%
TOTAL ASSETS	\$1,642,587	\$1,285,439	\$357,148	27.78%
LIABILITIES				
Deposits	\$1,294,882	\$1,043,947	\$250,935	24.04%
Repo Sweep Accounts	3,767	5,421	(1,654)	-30.51%
Total Deposits and Repo Sweeps	1,298,649	1,049,368	249,281	23.76%
Borrowed Funds	75,714	35,985	39,729	110.40%
Subordinated Debt	7,000	0	7,000	
Other Liabilities	18,285	10,099	8,186	81.06%
TOTAL LIABILITIES	1,399,648	1,095,452	304,196	27.77%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated				
Other Comprehensive Income (Loss)	238,479	198,355	40,124	20.23%
Accumulated Other Comprehensive Income (Loss):				
Net Unrealized Gains/Losses on				
Available-for-sale Debt Securities	4,173	(8,502)	12,675	-149.08%
Defined Benefit Plans	287	134	153	114.18%
TOTAL SHAREHOLDERS' EQUITY	242,939	189,987	52,952	27.87%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,642,587	\$1,285,439	\$357,148	27.78%

c/o American Stock Transfer & Trust Company, LLC
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Brooklyn, NY 11219

COMMUNITY&COMMITMENT

We are now in the final stretch of our Giving Back, Giving Together campaign for 2019. Before fourth quarter even began, our team passed our goal of raising \$60,000 for local military servicemembers. It's humbling to see the commitment of our team to this cause.

In July, we held our largest fundraising event of the year, the 4th annual C&N Charity Classic golf event. The event was held at the Tyoga Country Club and raised over \$20,000 for local military servicemembers. It would not have been possible without the support of our sponsors, clients, business partners and team members that turned out in full force.

Raising awareness is an important step in supporting any cause. Here are a few of the ways you can join us in support of our local military servicemembers:

- **Share & Like C&N's #GivingBackGivingTogether Facebook posts.** We donate \$1 for every like, share and comment.
- **Volunteer with us!** Our teams coordinate with their local organizations to be directly involved.
- **Visit us** December 9 - 14 for special events, activities and fundraisers.
- **Spread the word!** Word of mouth is often the most powerful way to generate awareness.

Year-to-Date DONATIONS



CZNC
\$26.28
(as of 9/30/2019)

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