

January 19, 2017

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C&N DECLARES DIVIDEND AND ANNOUNCES 2016 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 annual periods ended December 31, 2016.

Dividend Declared

C&N’s Board of Directors has declared a regular quarterly cash dividend of \$0.26 per share. The dividend is payable on February 10, 2017 to shareholders of record as of January 30, 2017. Declaration of the dividend was made at the January 19, 2017 meeting of C&N’s Board of Directors.

2016 Unaudited Financial Results

Net income was \$0.35 per basic and diluted share in the fourth quarter 2016, up from \$0.34 in the third quarter 2016 and \$0.33 in the fourth quarter 2015. On an annual basis, net income per basic and diluted share was \$1.30 in 2016 as compared to \$1.35 in 2015. The annual return on average assets for 2016 was 1.28%, and the return on average equity was 8.37%. Highlights related to C&N’s earnings results for the comparative periods are as follows:

Fourth Quarter 2016 as Compared to Third Quarter 2016

- Net interest income of \$10,186,000 in the fourth quarter 2016 was virtually unchanged from the third quarter total of \$10,187,000. The net interest margin declined slightly to 3.73% in the fourth quarter 2016 from 3.74% in the third quarter. The margin reduction included a decrease in average yield on loans of 0.07% and a decrease in average yield on available-for-sale securities of 0.02%, while income stemming from an increase of \$12,400,000 in average loans outstanding helped to offset some of the effects of the yield reductions.
- C&N had a credit for loan losses (reduction in expense) of \$3,000 in the fourth quarter 2016. In comparison, the provision for loan losses was \$538,000 in the third quarter 2016. The small credit for loan losses in the fourth quarter 2016 included the effect of an excess of \$55,000 of recoveries on previously charged-off loans over the amount of current charge-offs as well as a net reduction of \$11,000 in specific allowances required on impaired loans to \$674,000 at December 31, 2016 from \$685,000 at September 30, 2016. In the third quarter, the provision included establishment of a specific allowance of \$528,000 related to one real estate secured commercial loan relationship. At December 31, 2016, total loans outstanding associated with this relationship amounted to \$3,315,000, and the related allowance remained at \$528,000.
- Noninterest revenue of \$4,031,000 in the fourth quarter 2016 was \$147,000 (3.8%) higher than the third quarter total. Net gains from sales of residential mortgage loans totaled \$330,000 in the fourth quarter 2016, an increase of \$94,000 (39.8%) over the third quarter total. Other operating income of \$444,000 in the fourth quarter was \$59,000 higher than the third quarter amount, including income of \$63,000 from tax credits.

- Net realized gains from sales of securities totaled \$69,000 in the fourth quarter 2016, down from gains of \$584,000 in the third quarter. In the fourth quarter 2016, C&N completed its program of bank stock sales that had begun in late 2015, generating a pre-tax gain of \$288,000 from sale of its last bank stock investment. Also in the fourth quarter 2016, C&N had net realized losses from debt securities of \$219,000, including sales of five CMOs and one residential mortgage pass-through security with a total historical cost basis of approximately \$14.5 million at the time of sale, and a weighted-average yield of 1.21%, resulting in a realized loss of \$231,000. Proceeds from these sales were used to help fund the purchase of two US Government agency-issued commercial mortgage-backed securities of \$14.8 million with an estimated weighted-average yield at purchase of 2.51% and final maturities in 2023 and 2026.
- Noninterest expenses totaled \$8,558,000 in the fourth quarter 2016, down \$21,000 (0.2%) from the third quarter. Salaries and wages decreased \$191,000 (4.9%) in the fourth quarter 2016 as compared to the third quarter, including reductions in restricted stock expense of \$56,000 and incentive bonus expense of \$49,000 based on updated year-end estimates. FDIC assessments expense of \$40,000 in the fourth quarter 2016 was \$111,000 lower than the third quarter amount, reflecting adjustment for an over-accrual of the estimated third quarter amount as assessment levels were lowered for C&N and other US banks. Pensions and other employee benefits expense increased \$158,000 in the fourth quarter 2016 as compared to the third quarter due to higher health care claims paid on C&N's partially self-insured plan.

Fourth Quarter 2016 as Compared to Fourth Quarter 2015

- Net interest income increased \$237,000 (2.4%), in the fourth quarter 2016 as compared to the fourth quarter 2015. The net interest margin for the fourth quarter 2016 was 0.04% higher than in the fourth quarter 2015 due to a lower cost of borrowed funds and a more favorable mix of earning assets. The average balance of total borrowed funds was \$56,679,000 at an average interest rate of 2.70% in the fourth quarter 2016, down from average borrowings of \$77,324,000 at an average interest rate of 3.16% in the fourth quarter 2015. The reduction in amount and average rate on borrowed funds reflects the impact of prepayments in the second and fourth quarters of 2015 of a long-term borrowing with an interest rate of 4.265%. Average total loans outstanding were higher by \$54.8 million (7.9%) in the fourth quarter 2016 as compared to the fourth quarter 2015, while average total available-for-sale securities were lower by \$34.4 million. Average total deposits were \$36.5 million (3.9%) higher in the fourth quarter 2016 as compared to the fourth quarter 2015.
- The credit for loan losses of \$3,000 in the fourth quarter 2016 represented a \$322,000 reduction in expense as compared to the fourth quarter 2015 amount. The higher provision for loan losses in the fourth quarter 2015 resulted from an increase in the collectively determined portion of the allowance for loan losses, mainly due to growth in the amount of loans outstanding.
- Total noninterest revenue increased \$32,000 (0.8%) in the fourth quarter 2016 over the fourth quarter 2015 amount. Net gains from sales of residential mortgage loans were up \$168,000 in the fourth quarter 2016 over the fourth quarter 2015 amount, while other operating income fell \$122,000. In the fourth quarter 2015, other operating income included a gain of \$212,000 on a split-dollar life insurance policy.
- Net realized gains from securities totaled \$69,000 in the fourth quarter 2016, while in the fourth quarter 2015, realized gains from securities totaled \$1,776,000 and there was a loss on prepayment of debt of \$1,663,000. The borrowing that was paid off in the fourth quarter 2015 was a \$24 million repurchase agreement with a maturity date of December 20, 2017 and an interest rate of 4.265%. C&N sold a significant portion of its investments in stocks of banks and bank holding companies in the fourth quarter 2015, generating realized gains totaling \$1,744,000.
- In the fourth quarter 2016, noninterest expenses, excluding loss on prepayment of borrowings, exceeded the fourth quarter 2015 amount by \$142,000 (1.7%). Pensions and other employee benefits expense were \$134,000 higher in the fourth quarter 2016 as compared to the fourth quarter 2015 due to higher health care claims paid on C&N's partially self-insured plan. Professional fees expense increased \$109,000 in the fourth quarter 2016 over the fourth quarter 2015 amount, including increases related to employee sales

and service training, information technology and marketing. Other operating expense increased \$88,000 in the fourth quarter 2016 over the fourth quarter 2015, including an increase of \$76,000 in expenses related to other real estate properties. Automated teller machine and interchange expense increased \$77,000, including costs associated with issuing new debit cards with EMV functionality. Salaries and wages expense decreased \$138,000 (3.6%), including lower amounts of incentive bonus and restricted stock expense. FDIC assessments expense decreased \$109,000, reflecting a lower assessment level and reduction for an over-accrual in the third quarter 2016, as described above.

- The fourth quarter 2016 provision for income tax of \$1,500,000, or 26.2% of pre-tax income, was \$239,000 higher than the fourth quarter 2015 tax provision of \$1,261,000, or 23.7% of pre-tax income. The higher effective tax in the fourth quarter 2016 resulted from higher earnings, along with an increase in state income tax of \$26,000 and a reduction in tax-exempt interest income of \$47,000.

Years Ended December 31, 2016 and 2015

- Net interest income was \$488,000 (1.2%) higher than the comparable total for 2015. The net interest margin was 3.76%, which was 0.07% higher than the margin for 2015, reflecting a lower cost of borrowed funds resulting from the prepayment in 2015 of the long-term borrowing referred to above and a more favorable mix of earning assets. The average balance of total borrowed funds was \$62,516,000 at an average interest rate of 2.57% in 2016, down from average borrowings of \$77,642,000 at an average interest rate of 3.45% in 2015. Average total loans outstanding were higher by \$65.3 million (9.9%) in 2016 as compared to 2015, while average total available-for-sale securities were lower by \$74.2 million. Average total deposits increased \$2.2 million (0.2%).
- The provision for loan losses was \$1,221,000 in 2016, an increase of \$376,000 over 2015. In 2016, the provision included the impact of increasing the allowance for loan losses for the effects of loan growth and slight increases in net charge-off experience and qualitative factors used in determining the collectively evaluated portion of the allowance. In comparison, in 2015 the provision also reflected the effects of loan growth, but the qualitative factors used in determining a portion of the collectively determined allowance decreased slightly during the period. Also in 2016, the provision included an increase of \$148,000 as compared to 2015 from changes in specific allowances on loans individually identified as impaired, adjusted for the impact of net charge-offs.
- Total noninterest revenue for 2016 increased \$33,000 (0.2%) over 2015. Net gains from sales of loans increased \$294,000 (40.0%), reflecting higher volume of sales, and Trust and Financial Management revenue increased \$134,000 (2.9%). Other operating income increased \$31,000 (1.9%), including an increase of \$148,000 from redemptions of tax credits and increases in lending-related fees of \$80,000, while this category included a gain of \$212,000 from a split-dollar life insurance policy in 2015, as discussed above. Service charges on deposit accounts decreased \$169,000 (3.5%) in 2016, reflecting a reduction in consumer overdraft volume. The fair value of mortgage servicing rights decreased \$282,000 in 2016, which was a larger decrease by \$120,000 as compared to 2015. Brokerage revenue decreased \$83,000 (9.9%), as the volume of sales of annuities declined.
- In 2016, realized gains from securities totaled \$1,158,000, including gains from sales of bank stocks of \$1,125,000. In 2015, C&N generated gains from sales of securities totaling \$2,861,000, including gains from sales of bank stocks of \$2,220,000, and also incurred losses of \$2,573,000 from prepayments of a borrowing in the second and fourth quarters totaling \$34 million.
- Noninterest expenses, excluding losses on prepayment of borrowings, in 2016 exceeded the amount for 2015 by \$1,714,000 (5.2%). Salaries and wages expense increased \$729,000 (5.0%). Several new positions were established in the latter portion of 2015 and early 2016, including new positions established for lending, lending support, information technology, training, human resources and marketing functions. Professional fees expense increased \$488,000, including increases related to employee sales and service training, information technology and marketing. Other operating expense increased \$399,000 (7.8%), including increases in other real estate expenses of \$123,000, donations and

public relations-related expenses of \$94,000 and education and training-related expenses of \$60,000. Also, other operating expense was reduced in 2015 by \$69,000 as a result of a recovery of sales tax previously paid.

- The provision for income tax totaled \$5,347,000 in 2016, or an effective tax rate of 25.3% of pre-tax income. In comparison, the provision for income tax of \$5,337,000 in 2015 represented a 24.5% effective rate. The higher effective tax rate in 2016 included the impact of a \$300,000 reduction in tax-exempt interest income and an increase in the provision for state income tax of \$64,000 that resulted mainly from a catch-up adjustment to increase New York State taxes for the effect of changes in the tax methodology that first became effective in 2015.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,242,292,000 at December 31, 2016, as compared to \$1,245,333,000 at September 30, 2016 and \$1,223,417,000 at December 31, 2015.
- Net loans outstanding (excluding mortgage loans held for sale) were \$743,362,000 at December 31, 2016, up from \$733,917,000 at September 30, 2016 and up 6.7% from \$696,991,000 at December 31, 2015. In comparing outstanding balances at December 31, 2016 and 2015, total residential mortgage loans increased \$34.7 million, or 9.0%, and total commercial loans increased \$9.2 million, or 3.0%. At December 31, 2016, the outstanding balance of commercial loan participations with other financial entities was \$47.5 million, an increase of \$3.1 million over the corresponding balance at December 31, 2015.
- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$163,296,000 at December 31, 2016, up from \$157,845,000 at September 30, 2016 and \$152,448,000 at December 31, 2015.
- Total nonperforming assets as a percentage of assets was 1.43% at December 31, 2016 as compared to 1.79% at September 30, 2016 and 1.31% at December 31, 2015. The amount of outstanding loans in nonaccrual status was \$3,745,000 lower at December 31, 2016 as compared to September 30, 2016, as loans to one commercial borrower with total outstanding balances of \$4,786,000 at December 31, 2016 were moved to accrual status in the fourth quarter.
- Deposits and repo sweep accounts totaled \$989,018,000 at December 31, 2016, down from \$998,200,000 at September 30, 2016 and up 5.2% from \$940,530,000 at December 31, 2015. Municipal deposits were down significantly in the fourth quarter 2015 as a result of the Pennsylvania state budget impasse and related delays in funding municipal entities.
- Total shareholders' equity was \$186,008,000 at December 31, 2016 as compared to \$190,603,000 at September 30, 2016 and \$187,487,000 at December 31, 2015. Tangible common equity as a percentage of tangible assets was 14.15% at December 31, 2016 as compared to 14.49% a year earlier. Increases in interest rates in the last few months of 2016 caused the fair value of available-for-sale securities to fall; resulting in a decrease in accumulated other comprehensive income (loss) to a loss position of (\$949,000) at December 31, 2016 from income positions of \$5,388,000 at September 30, 2016 and \$2,493,000 at December 31, 2015. In the first six months of 2016, 187,300 shares of common stock were repurchased at an average cost of \$19.88 per share for a total cost of \$3,723,000, completing the repurchases of shares authorized by the Board of Directors under the program announced in July 2014. In April 2016, the Board announced a new common stock repurchase program for the acquisition of up to 600,000 shares. There were no repurchases of stock under the new program in 2016.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$879,844,000 at December 31, 2016, up from \$867,852,000 at September 30, 2016, and up 8.0% from \$814,788,000 a year earlier.

Citizens & Northern Corporation is the parent company of Citizens & Northern Bank, a local, independent community bank providing complete financial, investment and insurance services through 26 full service offices

throughout Tioga, Bradford, Sullivan, Lycoming, Potter, Cameron and McKean counties in Pennsylvania and in Canisteo and South Hornell, NY. 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.

December 31, 2016

QUARTERLY REPORT

Dear Shareholder:

The fourth quarter of 2016 included the culmination of the most interesting election cycle in generations. While the full impact of the policy changes promised by the President-elect cannot be predicted, the financial markets reacted immediately. Since November 8th, the major U.S. equity indices reached all-time highs and the yield on the benchmark 10 year U.S. Treasury bond increased to over 2.50%, a recent high. Also during December, the Federal Reserve raised the target Fed Funds rate by .25% and foreshadowed that additional increases are likely to take place during 2017. Bank stocks were a clear beneficiary of Mr. Trump's election as funds flowed into the sector anticipating that corporate tax relief, higher interest rates, regulatory relief, and a strengthening economy would support future earnings growth across the industry. C&N participated in the late year rally and closed 2016 at \$26.20 per share, an increase of 24.76% from \$21.00 a year earlier.

Through all of the drama in the broader national environment, C&N delivered another solid quarter of financial performance. The growth in loans, deposits, and trust assets under management over the past year are beginning to drive revenue growth, expense increases resulting from investment in future capacity began to moderate, and credit quality remains strong. Also during the fourth quarter, C&N submitted an application to establish a loan production office in Elmira, New York. We are pleased to report the formal approval of that application in early January and expect the office to open during February. It is a very positive step in expanding our presence in southern New York as we pursue opportunities to build the C&N franchise.

Earnings were \$1.30 per share for the year ended December 31, 2016 as compared to \$1.35 in 2015. Fourth quarter 2016 earnings per share were \$0.35 in comparison to \$0.33 for the fourth quarter 2015. Return on average assets (ROAA) for 2016 was 1.28% and return on average equity (ROAE) was 8.37% as compared to ROAA of 1.32% and ROAE of 8.72% during 2015.

Net interest income of \$40.4 million was 1.22% higher than 2015 and the net interest margin was 3.76%, or 0.07% higher than 2015. The improvement in the margin reflects our strategy to reduce the cost of borrowed funds and drive a more favorable mix of earning assets. Average total loans outstanding were higher by \$65.3 million (9.9%) in 2016 as compared to 2015, while average total available-for-sale securities were lower by \$74.2 million. Average total deposits increased \$2.2 million (.2%) and average total borrowed funds declined \$15.1 million (19.5%).

The provision for loan losses for 2016 exceeded the corresponding amount for 2015 by \$376,000. The higher provision in 2016 included an increase of \$148,000 as compared to 2015 from changes in specific allowances on loans individually identified as impaired, net of charge-offs. The remainder of the increase was due to continued effects of loan growth and slight increases in net charge-off experience and qualitative factors used in determining the collectively evaluated portion of the allowance.

Noninterest revenue increased \$33,000 (.2%) in 2016 as compared to 2015, though the total for 2015 included a gain of \$212,000 from a split dollar life insurance policy. Net gains from sales of loans and trust revenues increased by \$294,000 (40.0%) and \$134,000 (2.9%) reflecting strong performance in the residential lending and wealth management businesses. They were partially offset by decreases in the value of mortgage servicing rights, service charges on deposit accounts, and brokerage revenue.

In 2016, realized gains from securities sales totaled \$1.158 million, including gains from sales of bank stocks of \$1.125 million. In 2015, C&N generated gains from sales of securities totaling \$2.861 million, including gains from sales of bank stocks of \$2.220 million and also incurred losses of \$2.573 million from prepayments of principal on a borrowing in the second and fourth quarters totaling \$34 million.

Noninterest expenses, excluding loss on prepayment of borrowings, in 2016 exceeded the amount for 2015 by \$1.7 million (5.2%). Salaries and wages expense increased \$729,000 (5.0%). Several new positions were established in the latter portion of 2015 and early 2016, including new positions for lending, lending support, information technology, training, human resources and marketing functions. Professional fees expense increased \$488,000, including increases related to employee sales and service training, information technology and marketing functions.

C&N remains well positioned to pursue growth and expansion by virtue of its very strong capital base. We continue to support shareholder value through cash dividends and a stock repurchase program as we seek opportunities for growth and expansion. Dividends declared/paid were \$.26 per share in all four quarters of 2016, consistent with the levels in the previous year. Total dividends paid were \$1.04 producing an annualized yield of 3.97% based on the December 31, 2016 closing market price of \$26.20. In the second quarter 2016, we completed the 2014 repurchase program of 622,500 shares. In April 2016, the Board announced a new common stock repurchase program for the acquisition of up to 600,000 shares. There have been no repurchases of stock under the new program.

Finally, the totals are in for our 2016 Giving Back, Giving Together campaign to raise funds for volunteer emergency services organizations throughout the communities we serve. We set a goal of generating \$50,000 through this effort, consistent with the amount raised in 2015 to fight hunger. We not only exceeded this goal, we crushed it, raising a total of just over \$64,000!! Thank you to the many members of our community that joined us in this cause and to the C&N Team for your extraordinary efforts to support the people that make our communities a better, and safer, place to live.

To all of our shareholders, we appreciate your investment and ongoing support.



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	4TH QUARTER 2016 (Current)	4TH QUARTER 2015 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$11,106	\$11,036	\$70	0.63%
Interest Expense	920	1,087	(167)	-15.36%
Net Interest Income	10,186	9,949	237	2.38%
(Credit) Provision for Loan Losses	(3)	319	(322)	-100.94%
Net Interest Income After (Credit) Provision for Loan Losses	10,189	9,630	559	5.80%
Other Income	4,031	3,999	32	0.80%
Net Gains on Available-for-sale Securities	69	1,776	(1,707)	-96.11%
Loss on Prepayment of Borrowings	0	1,663	(1,663)	-100.00%
Other Noninterest Expenses	8,558	8,416	142	1.69%
Income Before Income Tax Provision	5,731	5,326	405	7.60%
Income Tax Provision	1,500	1,261	239	18.95%
Net Income	\$4,231	\$4,065	\$166	4.08%

PER COMMON SHARE DATA:

Net Income – Basic	\$0.35	\$0.33	\$0.02	6.06%
Net Income – Diluted	\$0.35	\$0.33	\$0.02	6.06%
Cash Dividend Declared Per Share	\$0.26	\$0.26	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,096,853	12,180,435		
Number Shares Used in Computation - Diluted	12,142,845	12,203,951		

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

	YEARS ENDED DECEMBER 31,			
	2016 (Current)	2015 (Prior Year)	\$ Incr. (Decr.)	% Incr. (Decr.)
Interest and Dividend Income	\$44,098	\$44,519	(\$421)	-0.95%
Interest Expense	3,693	4,602	(909)	-19.75%
Net Interest Income	40,405	39,917	488	1.22%
Provision for Loan Losses	1,221	845	376	44.50%
Net Interest Income After Provision for Loan Losses	39,184	39,072	112	0.29%
Other Income	15,511	15,478	33	0.21%
Net Gains on Available-for-sale Securities	1,158	2,861	(1,703)	-59.52%
Loss on Prepayment of Borrowings	0	2,573	(2,573)	-100.00%
Other Noninterest Expenses	34,744	33,030	1,714	5.19%
Income Before Income Tax Provision	21,109	21,808	(699)	-3.21%
Income Tax Provision	5,347	5,337	10	0.19%
Net Income	\$15,762	\$16,471	(\$709)	-4.30%

PER COMMON SHARE DATA:

Net Income – Basic	\$1.30	\$1.35	(\$0.05)	-3.70%
Net Income – Diluted	\$1.30	\$1.35	(\$0.05)	-3.70%
Cash Dividends Declared Per Share	\$1.04	\$1.04	\$0.00	0.00%
Number Shares Used in Computation - Basic	12,098,129	12,211,941		
Number Shares Used in Computation - Diluted	12,128,364	12,233,773		

CONDENSED, CONSOLIDATED BALANCE SHEET DATA

(In Thousands) (Unaudited)

	DEC. 31, 2016	DEC. 31, 2015	DEC. 31, 2016 vs 2015	
			\$ Incr. (Decr.)	% Incr. (Decr.)
ASSETS				
Cash & Due from Banks	\$32,109	\$36,061	(\$3,952)	-10.96%
Available-for-sale Securities	395,077	420,290	(25,213)	-6.00%
Loans Held for Sale	142	280	(138)	-49.29%
Loans, Net	743,362	696,991	46,371	6.65%
Intangible Assets	11,959	11,972	(13)	-0.11%
Other Assets	59,643	57,823	1,820	3.15%
TOTAL ASSETS	\$1,242,292	\$1,223,417	\$18,875	1.54%
LIABILITIES				
Deposits	\$983,843	\$935,615	\$48,228	5.15%
Repo Sweep Accounts	5,175	4,915	260	5.29%
Total Deposits and Repo Sweeps	989,018	940,530	48,488	5.16%
Borrowed Funds	59,454	87,348	(27,894)	-31.93%
Other Liabilities	7,812	8,052	(240)	-2.98%
TOTAL LIABILITIES	1,056,284	1,035,930	20,354	1.96%
SHAREHOLDERS' EQUITY				
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)	186,906	184,959	1,947	1.05%
Accumulated Other Comprehensive Income (Loss):				
Net Unrealized Gains/Losses on				
Available-for-sale Securities	(949)	2,493	(3,442)	-138.07%
Defined Benefit Plans	51	35	16	45.71%
TOTAL SHAREHOLDERS' EQUITY	186,008	187,487	(1,479)	-0.79%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,242,292	\$1,223,417	\$18,875	1.54%


CITIZENS & NORTHERN CORPORATION
CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	YEARS ENDED		% INCREASE (DECREASE)
	DECEMBER 31, 2016	2015	
EARNINGS PERFORMANCE			
Net Income	\$15,762	\$16,471	-4.30%
Return on Average Assets	1.28%	1.32%	-3.03%
Return on Average Equity	8.37%	8.72%	-4.01%
Efficiency Ratio (a)	59.22%	56.66%	4.52%
BALANCE SHEET HIGHLIGHTS			
Total Assets	\$1,242,292	\$1,223,417	1.54%
Available-for-Sale Securities	395,077	420,290	-6.00%
Loans (Net)	743,362	696,991	6.65%
Allowance for Loan Losses	8,473	7,889	7.40%
Deposits and Repo Sweep Accounts	989,018	940,530	5.16%
OFF-BALANCE SHEET			
Outstanding Balance of Mortgage Loans Sold with Servicing Retained	163,296	152,448	7.12%
Trust Assets Under Management	879,844	814,788	7.98%
SHAREHOLDERS' VALUE (PER COMMON SHARE)			
Net Income - Basic	\$1.30	\$1.35	-3.70%
Net Income - Diluted	\$1.30	\$1.35	-3.70%
Cash Dividends Declared	\$1.04	\$1.04	0.00%
Common Book Value	\$15.36	\$15.39	-0.19%
Tangible Common Book Value	\$14.37	\$14.41	-0.28%
Market Value (Last Trade)	\$26.20	\$21.00	24.76%
Market Value / Common Book Value	170.57%	136.45%	25.01%
Market Value / Tangible Common Book Value	182.32%	145.73%	25.11%
Price Earnings Multiple (b)	20.15	15.56	29.50%
Dividend Yield (b)	3.97%	4.95%	-19.80%
Common Shares Outstanding, End of Period	12,113,228	12,180,623	-0.55%
SAFETY AND SOUNDNESS			
Tangible Common Equity / Tangible Assets	14.15%	14.49%	-2.35%
Nonperforming Assets / Total Assets	1.43%	1.31%	9.16%
Allowance for Loan Losses / Total Loans	1.13%	1.12%	0.89%
Total Risk Based Capital Ratio (c)	23.72%	24.40%	-2.79%
Tier 1 Risk Based Capital Ratio (c)	22.60%	23.29%	-2.96%
Common Equity Tier 1 Risk Based Capital Ratio (c)	22.60%	23.29%	-2.96%
Leverage Ratio (c)	14.29%	14.31%	-0.14%
AVERAGE BALANCES			
Average Assets	\$1,229,866	\$1,243,209	-1.07%
Average Equity	\$188,373	\$188,905	-0.28%

(a) The efficiency ratio is calculated by dividing: (i) total noninterest expense excluding losses from prepayment of debt, by (ii) the sum of net interest income (including income from tax-exempt securities and loans on a fully-taxable equivalent basis) and noninterest income excluding securities gains or losses.

(b) The price earnings multiple and dividend yield are calculated using the Corporation's stock price based on the last reported trade of each applicable period.

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

QUARTERLY CONDENSED, CONSOLIDATED INCOME STATEMENT INFORMATION

(In Thousands) (Unaudited)

For the Three Months Ended:

	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
Interest income	\$11,106	\$11,131	\$10,924	\$10,937	\$11,036	\$11,134	\$11,186	\$11,163
Interest expense	920	944	925	904	1,087	1,126	1,176	1,213
Net interest income	10,186	10,187	9,999	10,033	9,949	10,008	10,010	9,950
(Credit) provision for loan losses	(3)	538	318	368	319	302	221	3
Net interest income after (credit) provision for loan losses	10,189	9,649	9,681	9,665	9,630	9,706	9,789	9,947
Other income	4,031	3,884	3,906	3,690	3,999	3,961	3,962	3,556
Net gains on available-for-sale securities	69	584	122	383	1,776	79	932	74
Loss on prepayment of borrowings	0	0	0	0	1,663	0	910	0
Other expenses	8,558	8,579	8,535	9,072	8,416	8,117	7,964	8,533
Income before income tax provision	5,731	5,538	5,174	4,666	5,326	5,629	5,809	5,044
Income tax provision	1,500	1,451	1,303	1,093	1,261	1,395	1,452	1,229
Net income	\$4,231	\$4,087	\$3,871	\$3,573	\$4,065	\$4,234	\$4,357	\$3,815
Net income per share – basic	\$0.35	\$0.34	\$0.32	\$0.29	\$0.33	\$0.35	\$0.36	\$0.31
Net income per share – diluted	\$0.35	\$0.34	\$0.32	\$0.29	\$0.33	\$0.35	\$0.36	\$0.31

QUARTERLY CONDENSED, CONSOLIDATED BALANCE SHEET INFORMATION

(In Thousands) (Unaudited)

As of:

	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015
ASSETS			
Cash & Due from Banks	\$32,109	\$34,070	\$36,061
Available-for-Sale Securities	395,077	409,800	420,290
Loans Held for Sale	142	621	280
Loans, Net	743,362	733,917	696,991
Intangible Assets	11,959	11,963	11,972
Other Assets	59,643	54,962	57,823
TOTAL ASSETS	\$1,242,292	\$1,245,333	\$1,223,417
LIABILITIES			
Deposits	\$983,843	\$991,880	\$935,615
Repo Sweep Accounts	5,175	6,320	4,915
Total Deposits and Repo Sweeps	989,018	998,200	940,530
Borrowed Funds	59,454	46,808	87,348
Other Liabilities	7,812	9,722	8,052
TOTAL LIABILITIES	1,056,284	1,054,730	1,035,930
SHAREHOLDERS' EQUITY			
Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income/ Loss	186,906	185,173	184,959
Accumulated Other Comprehensive Income/ Loss: Net Unrealized Gains/Losses on Available-for-sale Securities	(949)	5,388	2,493
Defined Benefit Plans Adjustment, Net	51	42	35
TOTAL SHAREHOLDERS' EQUITY	186,008	190,603	187,487
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$1,242,292	\$1,245,333	\$1,223,417

AVAILABLE-FOR-SALE SECURITIES (In Thousands)	December 31, 2016		September 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Obligations of U.S. Government agencies	\$9,671	\$9,541	\$9,667	\$9,747	\$10,663	\$10,483
Obligations of states and political subdivisions:						
Tax-exempt	118,140	119,037	116,797	121,283	103,414	107,757
Taxable	30,073	30,297	32,764	33,672	34,317	34,597
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:						
Residential pass-through securities	58,922	58,404	60,966	62,187	73,227	73,343
Residential collateralized mortgage obligations	147,915	146,608	164,508	165,719	193,145	191,715
Commercial mortgage-backed securities	30,817	30,219	16,056	16,112	0	0
Other collateralized debt obligations	0	0	0	0	9	9
Total debt securities	395,538	394,106	400,758	408,720	414,775	417,904
Marketable equity securities	1,000	971	752	1,080	1,680	2,386
Total	\$396,538	\$395,077	\$401,510	\$409,800	\$416,455	\$420,290

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

	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015
Residential mortgage:			
Residential mortgage loans - first liens	\$334,102	\$325,533	\$304,783
Residential mortgage loans - junior liens	23,706	22,794	21,146
Home equity lines of credit	38,057	38,623	39,040
1-4 Family residential construction	24,908	23,310	21,121
Total residential mortgage	420,773	410,260	386,090
Commercial:			
Commercial loans secured by real estate	150,468	149,938	154,779
Commercial and industrial	83,854	86,969	75,196
Political subdivisions	38,068	38,653	40,007
Commercial construction and land	14,287	12,809	5,122
Loans secured by farmland	7,294	6,900	7,019
Multi-family (5 or more) residential	7,896	8,133	9,188
Agricultural loans	3,998	4,313	4,671
Other commercial loans	11,475	11,557	12,152
Total commercial	317,340	319,272	308,134
Consumer	13,722	12,806	10,656
Total	751,835	742,338	704,880
Less: allowance for loan losses	(8,473)	(8,421)	(7,889)
Loans, net	\$743,362	\$733,917	\$696,991

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

	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015
Residential mortgage loans originated and serviced - outstanding balance	\$163,438	\$158,466	\$152,728
Less: outstanding balance of loans sold	(163,296)	(157,845)	(152,448)
Loans held for sale, net	\$142	\$621	\$280

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

	3 Months Ended Dec. 31, 2016	3 Months Ended Sept. 30, 2016	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Balance, beginning of period	\$8,421	\$7,929	\$7,889	\$7,336
Charge-offs	(20)	(61)	(757)	(562)
Recoveries	75	15	120	270
Net recoveries (charge-offs)	55	(46)	(637)	(292)
(Credit) provision for loan losses	(3)	538	1,221	845
Balance, end of period	\$8,473	\$8,421	\$8,473	\$7,889

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

	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015
Impaired loans with a valuation allowance	\$3,372	\$3,621	\$1,933
Impaired loans without a valuation allowance	7,488	7,514	8,041
Total impaired loans	\$10,860	\$11,135	\$9,974
Total loans past due 30-89 days and still accruing	\$7,735	\$4,040	\$7,057
Nonperforming assets:			
Total nonaccrual loans	\$8,736	\$12,481	\$11,517
Total loans past due 90 days or more and still accruing	6,838	7,539	3,229
Total nonperforming loans	15,574	20,020	14,746
Foreclosed assets held for sale (real estate)	2,180	2,321	1,260
Total nonperforming assets	\$17,754	\$22,341	\$16,006
Loans subject to troubled debt restructurings (TDRs):			
Performing	\$5,803	\$946	\$1,186
Nonperforming	2,874	5,032	5,178
Total TDRs	\$8,677	\$5,978	\$6,364
Total nonperforming loans as a % of loans	2.07%	2.70%	2.09%
Total nonperforming assets as a % of assets	1.43%	1.79%	1.31%
Allowance for loan losses as a % of total loans	1.13%	1.13%	1.12%
Allowance for loan losses as a % of nonperforming loans	54.40%	42.06%	53.50%

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

	3 Months Ended 12/31/2016 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 9/30/2016 Average Balance	Rate of Return/ Cost of Funds %	3 Months Ended 12/31/2015 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS						
Available-for-sale securities, at amortized cost:						
Taxable	\$279,385	1.96%	\$291,847	1.98%	\$327,225	2.05%
Tax-exempt	118,541	4.36%	112,679	4.51%	105,118	4.99%
Total available-for-sale securities	397,926	2.67%	404,526	2.69%	432,343	2.76%
Interest-bearing due from banks	14,424	0.74%	17,138	0.67%	20,168	0.39%
Loans held for sale	341	7.00%	556	5.01%	406	5.86%
Loans receivable:						
Taxable	688,123	4.87%	671,408	4.95%	629,294	5.04%
Tax-exempt	57,293	4.53%	61,608	4.50%	61,339	4.52%
Total loans receivable	745,416	4.84%	733,016	4.91%	690,633	5.00%
Total Earning Assets	1,158,107	4.05%	1,155,236	4.07%	1,143,550	4.07%
Cash	16,636		17,523		16,390	
Unrealized gain/loss on securities	4,223		9,654		7,637	
Allowance for loan losses	(8,585)		(8,050)		(7,525)	
Bank premises and equipment	15,425		15,379		15,499	
Intangible Asset - Core Deposit Intangible	18		24		32	
Intangible Asset - Goodwill	11,942		11,942		11,942	
Other assets	41,431		38,225		38,037	
Total Assets	\$1,239,197		\$1,239,933		\$1,225,562	
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Interest checking	\$212,463	0.16%	\$200,789	0.15%	\$195,439	0.11%
Money market	199,983	0.18%	205,158	0.17%	192,825	0.16%
Savings	135,059	0.10%	133,269	0.10%	127,744	0.10%
Certificates of deposit	113,776	0.78%	123,475	0.77%	116,699	0.68%
Individual Retirement Accounts	101,046	0.43%	103,259	0.42%	107,484	0.41%
Other time deposits	676	0.00%	1,523	0.26%	678	0.00%
Total interest-bearing deposits	763,003	0.28%	767,473	0.28%	740,869	0.25%
Borrowed funds:						
Short-term	18,182	0.48%	18,655	0.64%	17,395	0.39%
Long-term	38,497	3.75%	38,571	3.76%	59,929	3.96%
Total borrowed funds	56,679	2.70%	57,226	2.75%	77,324	3.16%
Total Interest-bearing Liabilities	819,682	0.45%	824,699	0.46%	818,193	0.53%
Demand deposits	221,928		215,880		207,534	
Other liabilities	9,366		9,057		9,149	
Total Liabilities	1,050,976		1,049,636		1,034,876	
Stockholders' equity, excluding						
other comprehensive income/loss	185,437		183,966		185,716	
Other comprehensive income/loss	2,784		6,331		4,970	
Total Stockholders' Equity	188,221		190,297		190,686	
Total Liabilities and Stockholders' Equity	\$1,239,197		\$1,239,933		\$1,225,562	
Interest Rate Spread		3.60%		3.61%		3.54%
Net Interest Income/Earning Assets		3.73%		3.74%		3.69%
Total Deposits (Interest-bearing and Demand)	\$984,931		\$983,353		\$948,403	

(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 35%.

(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.

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

	Year Ended 12/31/2016 Average Balance	Rate of Return/ Cost of Funds %	Year Ended 12/31/2015 Average Balance	Rate of Return/ Cost of Funds %
EARNING ASSETS				
Available-for-sale securities, at amortized cost:				
Taxable	\$293,636	2.01%	\$366,448	2.07%
Tax-exempt	111,343	4.71%	112,700	5.21%
Total available-for-sale securities	404,979	2.75%	479,148	2.81%
Interest-bearing due from banks	19,022	0.61%	22,201	0.42%
Loans held for sale	472	5.72%	222	7.21%
Loans receivable:				
Taxable	662,769	4.95%	603,771	5.19%
Tax-exempt	60,307	4.52%	53,956	4.72%
Total loans receivable	723,076	4.92%	657,727	5.15%
Total Earning Assets	1,147,549	4.08%	1,159,298	4.09%
Cash	16,570		16,639	
Unrealized gain/loss on securities	7,166		8,871	
Allowance for loan losses	(8,082)		(7,380)	
Bank premises and equipment	15,413		15,911	
Intangible Asset - Core Deposit Intangible	24		41	
Intangible Asset - Goodwill	11,942		11,942	
Other assets	39,284		37,887	
Total Assets	\$1,229,866		\$1,243,209	
INTEREST-BEARING LIABILITIES				
Interest-bearing deposits:				
Interest checking	\$201,357	0.15%	\$195,940	0.11%
Money market	199,405	0.17%	196,585	0.15%
Savings	132,679	0.10%	128,355	0.10%
Certificates of deposit	117,130	0.75%	121,803	0.68%
Individual Retirement Accounts	103,467	0.42%	110,659	0.41%
Other time deposits	1,036	0.10%	1,031	0.10%
Total interest-bearing deposits	755,074	0.28%	754,373	0.26%
Borrowed funds:				
Short-term	23,906	0.65%	11,428	0.28%
Long-term	38,610	3.76%	66,214	4.00%
Total borrowed funds	62,516	2.57%	77,642	3.45%
Total Interest-bearing Liabilities	817,590	0.45%	832,015	0.55%
Demand deposits	215,373		213,828	
Other liabilities	8,530		8,461	
Total Liabilities	1,041,493		1,054,304	
Stockholders' equity, excluding				
other comprehensive income/loss	183,671		183,125	
Other comprehensive income/loss	4,702		5,780	
Total Stockholders' Equity	188,373		188,905	
Total Liabilities and Stockholders' Equity	\$1,229,866		\$1,243,209	
Interest Rate Spread		3.63%		3.54%
Net Interest Income/Earning Assets		3.76%		3.69%
Total Deposits (Interest-bearing and Demand)				
	\$970,447		\$968,201	

(1) 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 35%.

(2) Nonaccrual loans have been included with loans for the purpose of analyzing net interest earnings.

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

	Three Months Ended			Years Ended	
	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Service charges on deposit accounts	\$1,172	\$1,221	\$1,235	\$4,695	\$4,864
Service charges and fees	104	118	121	439	494
Trust and financial management revenue	1,193	1,172	1,148	4,760	4,626
Brokerage revenue	187	216	199	756	839
Insurance commissions, fees and premiums	28	26	22	102	109
Interchange revenue from debit card transactions	512	481	479	1,943	1,935
Net gains from sales of loans	330	236	162	1,029	735
(Decrease) increase in fair value of servicing rights	(35)	(68)	(25)	(282)	(162)
Increase in cash surrender value of life insurance	96	97	92	382	386
Other operating income	444	385	566	1,687	1,652
Total other operating income, before realized gains on available-for-sale securities, net	\$4,031	\$3,884	\$3,999	\$15,511	\$15,478

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

	Three Months Ended			Years Ended	
	Dec. 31, 2016	Sept. 30, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Salaries and wages	\$3,710	\$3,901	\$3,848	\$15,411	\$14,682
Pensions and other employee benefits	1,218	1,060	1,084	4,717	4,420
Occupancy expense, net	570	601	589	2,340	2,574
Furniture and equipment expense	429	435	462	1,730	1,860
FDIC Assessments	40	151	149	488	603
Pennsylvania shares tax	342	287	302	1,274	1,248
Professional fees	310	245	201	1,126	638
Automated teller machine and interchange expense	330	291	253	1,137	988
Software subscriptions	252	237	259	981	876
Other operating expense	1,357	1,371	1,269	5,540	5,141
Total noninterest expense, before loss on prepayment of borrowings	8,558	8,579	8,416	34,744	33,030
Loss on prepayment of borrowings	0	0	1,663	0	2,573
Total noninterest expense	\$8,558	\$8,579	\$10,079	\$34,744	\$35,603