

January 18, 2018

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C&N DECLARES DIVIDEND AND ANNOUNCES 2017 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, 2017.

Dividend Declared

C&N’s Board of Directors has declared a regular quarterly cash dividend of \$0.27 per share, an increase from the previous quarterly dividend of \$0.26 per share. The dividend is payable on February 9, 2018 to shareholders of record as of January 29, 2018. Declaration of the dividend was made at the January 18, 2018 meeting of C&N’s Board of Directors.

Unaudited Financial Information

Net income was \$0.16 per diluted share in the fourth quarter 2017, as compared to \$0.32 in the third quarter 2017 and \$0.35 in the fourth quarter 2016. On an annual basis, net income per diluted share was \$1.10 in 2017 and \$1.30 in 2016. C&N’s fourth quarter and annual 2017 earnings were impacted by the recent reduction in the federal corporate income tax rate to 21%, effective January 1, 2018, from the 35% marginal tax rate in effect throughout 2017 and 2016. Fourth quarter and annual 2017 results include additional income tax expense related to a reduction in the carrying value of the net deferred tax asset, resulting in a reduction of \$0.18 in diluted earnings per share. Management expects C&N’s income tax provision (expense) will be significantly lower in 2018 and on an ongoing basis as a result of the lower tax rate.

Deferred tax assets and liabilities are recognized based on temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities, and are valued using currently enacted tax rates. The reduction in the deferred tax asset in the fourth quarter 2017 reflects the reduced expected future net benefit from these differences, and was recognized upon the new tax bill being signed into law in December 2017.

The table below provides a reconciliation of C&N’s fourth quarter and annual unaudited earnings results under U.S. generally accepted accounting principles (U.S. GAAP) to the comparative results excluding the additional tax charge referred to above. Management believes disclosure of 2017 earnings results, adjusted to exclude the additional income tax provision resulting from the change in the tax rate, provides useful information to investors for purposes of comparison with 2016 results.

RECONCILIATION OF NON-U.S. GAAP MEASURE
(Dollars in Thousands, Except Per Share Data)

| | 4th Quarter 2017 | | 4th Quarter 2016 | |
|---|--------------------------|----------------------------|--------------------------|----------------------------|
| | Earnings | Diluted Earnings per Share | Earnings | Diluted Earnings per Share |
| Net Income | \$1,943 | \$0.16 | \$4,231 | \$0.35 |
| Additional Income Tax Provision Resulting from Change in Tax Rate | 2,159 | | 0 | |
| Net Income, Excluding Effect of Change in Tax Rate | \$4,102 | \$0.34 | \$4,231 | \$0.35 |
| | Year Ended Dec. 31, 2017 | | Year Ended Dec. 31, 2016 | |
| | Earnings | Diluted Earnings per Share | Earnings | Diluted Earnings per Share |
| Net Income | \$13,434 | \$1.10 | \$15,762 | \$1.30 |
| Additional Income Tax Provision Resulting from Change in Tax Rate | 2,159 | | 0 | |
| Net Income, Excluding Effect of Change in Tax Rate | \$15,593 | \$1.28 | \$15,762 | \$1.30 |

The effective tax rate (income tax provision as a percentage of income before tax) for the year ended December 31, 2017 was 34.75% as compared to 25.33% for 2016. The higher effective tax rate for 2017 resulted mainly from the additional tax provision related to the change in the tax rate. Management estimates the effective tax rate for 2018 to be approximately 15%, reflecting the benefit of a lower corporate rate.

Additional highlights related to C&N's fourth quarter and annual 2017 earnings results as compared to the third quarter 2017 and comparative periods of 2016 are presented below.

Fourth Quarter 2017 as Compared to Third Quarter 2017

Net income totaled \$1,943,000 in the fourth quarter 2017, which was \$1,993,000 lower than third quarter net income of \$3,936,000. As noted above, fourth quarter 2017 results included a tax charge of \$2,159,000 resulting from the recently enacted change in the marginal corporate tax rate. Other significant variances were as follows:

- Net interest income increased \$145,000 (1.4%) in the fourth quarter 2017 as compared to the third quarter. The net interest margin was 3.85% for the fourth quarter 2017, up 2 basis points from the third quarter result, reflecting an increase of approximately \$9.3 million in earning assets and an increase in the yield on earning assets of 0.02%.
- The provision for loan losses was \$23,000 in the fourth quarter 2017, down from \$322,000 in the third quarter. The fourth quarter provision included \$179,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, partially offset by a reduction of \$155,000 in the collectively determined allowance for loan losses and a reduction of \$1,000 in the unallocated allowance. The reduction in the collectively determined allowance resulted mainly from a 3 basis point reduction in the qualitative factors used to estimate the allowance as of the end of the quarter. The reductions in the qualitative factors were determined by a management committee that noted an improvement in economic conditions throughout most of C&N's market area as evidenced by a reduction in the unemployment rate in most of the Pennsylvania and New York State counties C&N serves. In comparison, the third quarter provision included \$141,000 related to the change in total specific

allowances on impaired loans, as adjusted for net charge-offs during the period, and an increase of \$181,000 in the collectively determined allowance for loan losses. The increase in the collectively determined allowance in the third quarter reflected the effects of an increase in outstanding loans, as there were minimal changes in the net charge-off experience and qualitative factors used to estimate that portion of the allowance.

- Noninterest revenue of \$4,117,000 in the fourth quarter 2017 was up \$51,000 (1.3%) from the third quarter amount. Trust and financial management revenue of \$1,430,000 in the fourth quarter was \$138,000 higher than the third quarter amount, and brokerage revenue of \$246,000 was \$59,000 higher than in the third quarter. Net gains from sales of loans totaled \$167,000 in the fourth quarter, down \$130,000 from the third quarter, reflecting lower volume of sales.
- Total noninterest expenses increased \$209,000 (2.3%) over the third quarter amount. Pensions and other employee benefits expense was \$268,000 higher in the fourth quarter 2017 due to an increase in health insurance claims associated with C&N's partially self-insured plan. Professional fees expense increased \$67,000 in the fourth quarter as compared to the third quarter, including expenses related to information technology-related projects. Other operating expense was \$114,000 lower in the fourth quarter 2017 as compared to the third quarter, including a \$78,000 reduction in attorney fees and expenses.

Fourth Quarter 2017 as Compared to Fourth Quarter 2016

Net income of \$1,943,000 in the fourth quarter 2017 was \$2,288,000 lower than fourth quarter 2016 net income of \$4,231,000, reflecting the \$2,159,000 tax charge in 2017 as described above. Other significant variances were as follows:

- Net interest income increased \$600,000 (5.9%) in the fourth quarter 2017 over the fourth quarter 2016 amount. The net interest margin of 3.85% for the fourth quarter 2017 was 0.12% higher than the fourth quarter 2016 level of 3.73%. The improvement in the margin included the impact of increases in average yields on loans and available-for-sale securities as well as a favorable change in the mix of earning assets, including growth in loans and a reduction in securities. Average total loans outstanding were higher by \$57.5 million (7.7%) in the fourth quarter 2017 as compared to the fourth quarter 2016, while average total available-for-sale securities were lower by \$33.4 million. Average total deposits were \$20.7 million (2.1%) higher in the fourth quarter 2017 as compared to the fourth quarter 2016.
- The provision for loan losses was low, based on banking industry norms, in both the fourth quarter 2017 and fourth quarter 2016. As noted above, the fourth quarter 2017 provision of \$23,000 included \$179,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, partially offset by decreases in the collectively determined and unallocated portions of allowance for loan losses. In the fourth quarter 2016, the net credit (reduction in expense) of \$3,000 included the benefit from a \$66,000 decrease in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, and a \$3,000 increase in the collectively determined portion of the allowance.
- Noninterest revenue increased \$86,000 (2.1%) in the fourth quarter 2017 over the fourth quarter 2016 amount. Trust and financial management revenue increased \$237,000 (19.9%), reflecting growth in assets under management resulting from market appreciation and new business, as well as a recent increase in fee levels. Net gains from sales of loans decreased \$163,000 (49.4%) in the fourth quarter 2017 as compared to the fourth quarter 2016, reflecting lower sales volume.
- Total noninterest expenses increased \$843,000 (9.9%) in the fourth quarter 2017 over the fourth quarter 2016 amount. Salaries and wages expense increased \$271,000, or 7.3%, including an increase in restricted stock compensation of \$48,000 as a result of a reduction in expense related to a revised estimate in the fourth quarter 2016, along with the effects of an increase in the number of employees in 2017. The average number of full-time equivalent employees (FTEs) increased to 294 in the fourth quarter 2017 from 288 in the fourth quarter 2016. Pensions and other employee benefits expense increased \$266,000,

including an increase of \$256,000 in health care expenses due to higher claims on C&N's partially self-insured plan. Other operating expense increased \$126,000, including an increase in accounting and auditing expense of \$54,000 resulting from an increase in outsourced internal audit activity and an increase of \$34,000 in telecommunications expenses. Software subscriptions increased \$68,000, including costs associated with new applications as well as annual licensing increases.

Years Ended December 31, 2017 and 2016

For the year ended December 31, 2017, net income totaled \$13,434,000, or \$2,328,000 less than total net income for 2016. As described above, 2017 earnings were reduced \$2,159,000 for a tax charge in 2017 attributable to the recent reduction in the marginal corporate income tax rate. Other significant variances were as follows:

- Net interest income was \$1,543,000 (3.8%) higher in 2017 as compared to 2016. The net interest margin was 3.82% for 2017, up from 3.76% for 2016. Average total loans outstanding were up \$57.6 million (8.0%) in 2017 as compared to 2016, while average total available-for-sale securities were lower by \$33.2 million. Average total deposits were \$20.5 million (2.1%) higher in 2017 as compared to 2016.
- The provision for loan losses was \$801,000 in 2017, which was \$420,000 lower than the amount in 2016. In 2017, the provision included \$1,023,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period and a \$101,000 increase in the unallocated portion of the allowance, with a reduction in the provision of \$323,000 related to the reduction in the collectively determined allowance for loan losses. The reduction in the collectively determined allowance included the effects of an improvement in C&N's aggregate net charge-off experience and a reduction in the qualitative factors used to estimate the allowance as of December 31, 2017. The net increase in specific allowances in 2017 included an increase in the allowance related to one real estate secured commercial loan of \$391,000 to \$919,000 at December 31, 2017 as compared to \$528,000 at December 31, 2016. The increase in the specific allowance for this loan was based on an updated appraisal. In comparison, the provision of \$1,221,000 for 2016 included \$491,000 related to the change in total specific allowances on impaired loans, as adjusted for net charge-offs during the period, a \$29,000 decrease in the unallocated portion of the allowance and an increase in the provision of \$759,000 related to an increase in the collectively determined allowance for loan losses. The increase in the collectively determined portion of the allowance at December 31, 2016 as compared to the end of the preceding year resulted from loan growth and slight increases in the net charge-off and qualitative factors used to estimate the allowance.
- Noninterest revenue increased \$642,000 (4.1%) in 2017 as compared to 2016. Trust and financial management revenue increased \$639,000 (13.4%), reflecting growth in assets under management resulting from market appreciation and new business, as well as a recent increase in fee levels and an estimated \$215,000 of additional revenue from changing the frequency of billings to monthly for certain services. Interchange revenue from debit card transactions increased \$278,000 (14.3%), reflecting improvements in card-related volumes and processing. Loan servicing fees, net, increased \$141,000, as the fair value of mortgage servicing rights decreased by \$168,000 in 2017 as compared to a reduction of \$282,000 in 2016. Net gains from sales of loans decreased \$211,000 (20.5%) due to a lower volume of sales. Service charges on deposit accounts decreased \$207,000 (4.4%), as revenue from consumer overdrafts declined due to lower volume.
- Net gains on available-for-sale securities totaled \$257,000 in 2017, a reduction of \$901,000 from \$1,158,000 in 2016. In 2016, gains from sales of bank stocks totaled \$1,125,000, as C&N completed its program of bank stock sales that had begun in 2015. C&N had no remaining investments in bank stocks throughout 2017.
- Total noninterest expenses increased \$2,223,000 (6.4%) in 2017 as compared to 2016. Other operating expense increased \$808,000. Within other operating expense, the largest variances included increases of \$208,000 in loan collection expenses, \$149,000 in accounting and auditing expense stemming from increased internal audit outsourcing and \$130,000 in attorney fees (mainly related to a commercial loan workout situation). Employee benefits expense increased \$657,000, including an increase of \$594,000

from higher health care expenses on C&N's partially self-insured plan. Salaries and wages expense increased \$395,000 (2.6%), reflecting the net effects of annual merit-based salary increases, an increase to an average of 292 FTEs in 2017 from 287 in 2016 and a net decrease in officers' incentive compensation from corporate plans of \$166,000.

Other Information:

Changes in other unaudited financial information are as follows:

- Total assets amounted to \$1,276,959,000 at December 31, 2017, as compared to \$1,259,921,000 at September 30, 2017 and \$1,242,292,000 at December 31, 2016.
- Net loans outstanding (excluding mortgage loans held for sale) were \$806,857,000 at December 31, 2017, up from \$792,112,000 at September 30, 2017 and up 8.5% from \$743,362,000 at December 31, 2016. In comparing outstanding balances at December 31, 2017 and 2016, total residential mortgage loans increased \$26.5 million, or 6.3%, and total commercial loans increased \$36.1 million, or 11.4%. At December 31, 2017, the outstanding balance of commercial loan participations with other financial entities was \$61.2 million, up from \$47.5 million at December 31, 2016.
- The outstanding balance of residential mortgages originated by C&N and sold to third parties, with servicing retained, totaled \$169,725,000 at December 31, 2017, up from \$169,581,000 at September 30, 2017 and \$163,296,000 at December 31, 2016.
- Total nonperforming assets as a percentage of total assets was 1.47% at December 31, 2017 as compared to 1.35% at September 30, 2017 and 1.43% at December 31, 2016.
- Deposits and repo sweep accounts totaled \$1,012,215,000 at December 31, 2017 as compared to \$1,026,364,000 at September 30, 2017, and up 2.4% from \$989,018,000 at December 31, 2016.
- Total shareholders' equity was \$188,443,000 at December 31, 2017 as compared to \$191,013,000 at September 30, 2017 and \$186,008,000 at December 31, 2016. Tangible common equity as a percentage of tangible assets was 13.95% at December 31, 2017 as compared to 14.15% a year earlier. Within shareholders' equity, the portion of accumulated other comprehensive (loss) income related to available-for-sale securities was a (loss) income of (\$1,566,000) at December 31, 2017 as compared to \$227,000 at September 30, 2017 and (\$949,000) at December 31, 2016. Fluctuations in accumulated other comprehensive (loss) income have been caused by increases in interest rates and the effect of the lower corporate income tax rate on municipal bonds, which have resulted in an overall net reduction in the fair value of available-for-sale securities.
- Assets under management by C&N's Trust and Financial Management Group amounted to \$916,580,000 at December 31, 2017, down from \$924,907,000 at September 30, 2017 and up 4.2% from \$879,844,000 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, New York. C&N's most recently opened location, in Elmira, New York, offers commercial, residential and consumer lending services. 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, including the estimated effective tax rate for 2018, 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, 2017

QUARTERLY REPORT

Dear Shareholder:

At the conclusion of our 2016 Annual Highlights report to shareholders, we observed the potential for improvement to the business and banking environment due to policy initiatives set forth by the new Trump administration. While 2017 has been an interesting year in many ways, both central bankers and politicians are impacting our industry and C&N with their actions during the fourth quarter. On December 13, the Federal Reserve raised its target federal funds rate by .25% for the third time during the year, and the fifth time since December of 2015. Once again, longer-term rates did not react in kind and the yield curve flattened extending an environment that makes margin expansion a challenge. Later in December, President Trump signed tax reform legislation that will have broad implications for businesses and individuals. The changes did impact C&N's fourth quarter results as discussed further below. The new law also reduces C&N's marginal tax rate from 35% to 21% which will be beneficial to ongoing earnings beginning in 2018. Congress is currently considering legislation that would deliver meaningful regulatory relief to the banking industry that would directly benefit C&N. While the ultimate impact of these actions on economic activity and banking is unknown, there is a general tone of optimism that, collectively, they will support growth and opportunity.

As you review C&N's 2017 performance you will note that revenue growth accelerated as both net interest income and noninterest income increased at a faster pace than in 2016. These results highlight continued loan growth, an improving balance sheet mix, a substantial increase in trust related income, and the impact of expanding customer relationships as investments in our business model continue to mature. The increase in noninterest expense reflects our ongoing investment in people and technology to position C&N for future growth and productivity as well as unusually large increases in collection related expenses and health care claims. 2017 results were also impacted by a \$901,000 reduction, or \$.05 per share after tax, in securities gains as compared to 2016.

Fourth quarter 2017 net income was \$0.16 per share, as compared to \$0.32 in the third quarter 2017 and \$0.35 in the fourth quarter 2016. On an annual basis, net income per share was \$1.10 in 2017 as compared to \$1.30 in 2016. Return on average assets for the year was 1.08%, and return on average equity was 7.11%. As mentioned above, C&N's fourth quarter and annual 2017 earnings were impacted by the recent reduction in the federal corporate income tax rate to 21%, effective January 1, 2018, from the 35% marginal tax rate in effect throughout 2017 and 2016. Fourth quarter and annual 2017 results include additional income tax expense related to a reduction in the carrying value of the net deferred tax asset, resulting in a reduction of \$.18 in earnings per share. Going forward, management expects C&N's income tax provision (expense) will be significantly lower in 2018 and on an ongoing basis, as a result of the lower tax rate. Excluding the impact of the additional income tax expense, fourth quarter 2017 net income per share was \$.34, and net income per share for the year was \$1.28.

Net interest income increased \$145,000 (1.4%) in the fourth quarter of 2017 compared to the third quarter, and by \$600,000 (5.9%) compared to the fourth quarter of 2016. For the year ended December 31, 2017, net interest income was \$1,543,000 (3.8%) higher than in 2016. Growth in average loans outstanding of approximately \$15 million during the quarter and \$58 million compared to 2016 is the primary driver of these increases. Although average total deposits declined slightly during the fourth quarter of 2017, we experienced

solid year over year deposit growth, strong growth in demand deposits, and reductions in higher cost borrowings continuing the improvement in our funding mix. The yield on earning assets was 4.18% during the fourth quarter of 2017 compared to 4.05% in the fourth quarter of 2016 while the overall cost of funds increased by .03% during the same period. As a result, the net interest margin increased .12%, to 3.85% during the fourth quarter of 2017 from 3.73% a year earlier.

The provision for loan losses was \$23,000 during the fourth quarter of 2017 compared to a net credit (reduction in expense) of \$3,000 in 2016. For the year ended December 31, 2017, the provision was \$801,000 compared to \$1.221 million for the same period in 2016. The provision amounts for the current quarter and for the year, reflect reductions in reserves related to net charge-off experience and qualitative factors used in calculating the allowance for loan losses. Management maintains a robust process to determine the adequacy of the allowance that incorporates these and other factors. C&N's overall credit quality remains strong and consistent as reflected in our past due and non-performing loan metrics at December 31, 2017 compared to a year earlier.

Noninterest revenue increased by \$86,000 (2.1%) in the fourth quarter of 2017 compared to 2016. The most notable increases were Trust revenues, which increased 20%, reflecting growth in assets under management as well as a recent fee increase, while gains from the sale of mortgage loans decreased by \$163,000, or 49%. For the year ended December 31, 2017, noninterest revenue increased \$642,000 (4.1%) as compared to 2016. Trust and financial management revenues, interchange fees on debit card transactions, and loan servicing fees increased, while gains on sale of loans decreased due to lower volumes and service charges on deposit account declined, continuing a multi-year trend.

Noninterest expenses increased \$843,000 (9.9%) in the fourth quarter of 2017 compared to 2016 driven by employee related expenses. Salaries and wages were \$271,000 higher due to staffing levels compared to a year earlier, while pensions and other employee benefits costs increased \$266,000 resulting primarily from higher health care claims. For the year, noninterest expenses increased \$2.2 million (6.4%). Employee related costs were again the primary drivers with increased employee benefits expenses of \$657,000 and salaries and wages higher by \$395,000. In addition, ATM and interchange expenses, software subscriptions, collection, other real estate, legal, and internal audit outsourcing expenses contributed to the increase.

C&N continues to maintain a very strong capital position, providing the Company with the ability to pursue growth and expansion, absorb one time charges such as the charge required due to the change in tax law, while continuing to support shareholder value. The dividend paid during the fourth quarter remained at \$.26 per share producing an annualized yield of 4.33% based on the December 31, 2017 market price of \$24.00. On January 18, 2018, the Board of Directors declared a dividend of \$.27 per share payable on February 9, 2018 to shareholders of record as of January 29, 2018. This is an increase of 3.8% and reflects the Board's confidence in the ongoing financial strength of the Corporation. In April 2016, the Board announced a common stock repurchase program for the acquisition of up to 600,000 shares. There have been no repurchases of stock under this program to date.

We appreciate your investment and ongoing support of C&N



J. Bradley Scovill
President and CEO

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

| | 4TH QUARTER 2017 (Current) | 4TH QUARTER 2016 (Prior Year) | \$ Incr. (Decr.) | % Incr. (Decr.) |
|--|-------------------------------------|--|------------------|-----------------|
| Interest and Dividend Income | \$ 11,785 | \$11,106 | \$679 | 6.11% |
| Interest Expense | 999 | 920 | 79 | 8.59% |
| Net Interest Income | 10,786 | 10,186 | 600 | 5.89% |
| Provision (Credit) for Loan Losses | 23 | (3) | 26 | -866.67% |
| Net Interest Income After Provision (Credit) for Loan Losses | 10,763 | 10,189 | 574 | 5.63% |
| Noninterest Revenue | 4,117 | 4,031 | 86 | 2.13% |
| Net Gains on Available-for-sale Securities | 0 | 69 | (69) | -100.00% |
| Noninterest Expenses | 9,401 | 8,558 | 843 | 9.85% |
| Income Before Income Tax Provision | 5,479 | 5,731 | (252) | -4.40% |
| Income Tax Provision | 3,536 | 1,500 | 2,036 | 135.73% |
| Net Income | \$1,943 | \$4,231 | (\$2,288) | -54.08% |
| Net Income Attributable to Common Shares (1) | \$1,933 | \$4,209 | (\$2,276) | -54.07% |

PER COMMON SHARE DATA:

| | | | | |
|--|------------|------------|----------|---------|
| Net Income - Basic | \$0.16 | \$0.35 | (\$0.19) | -54.29% |
| Net Income - Diluted | \$0.16 | \$0.35 | (\$0.19) | -54.29% |
| Dividend Per Share | \$0.26 | \$0.26 | \$0.00 | 0.00% |
| Number of Shares Used in Computation - Basic | 12,146,006 | 12,033,406 | | |
| Number of Shares Used in Computation - Diluted | 12,178,853 | 12,079,398 | | |

CONDENSED, CONSOLIDATED EARNINGS INFORMATION

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

| | YEARS ENDED DECEMBER 31, | | | |
|---|-----------------------------|----------------------|------------------|-----------------|
| | 2017 (Current) | 2016 (Prior Year) | \$ Incr. (Decr.) | % Incr. (Decr.) |
| Interest and Dividend Income | \$ 45,863 | \$ 44,098 | \$1,765 | 4.00% |
| Interest Expense | 3,915 | 3,693 | 222 | 6.01% |
| Net Interest Income | 41,948 | 40,405 | 1,543 | 3.82% |
| Provision for Loan Losses | 801 | 1,221 | (420) | -34.40% |
| Net Interest Income After Provision for Loan Losses | 41,147 | 39,184 | 1,963 | 5.01% |
| Noninterest Revenue | 16,153 | 15,511 | 642 | 4.14% |
| Net Gains on Available-for-sale Securities | 257 | 1,158 | (901) | -77.81% |
| Noninterest Expenses | 36,967 | 34,744 | 2,223 | 6.40% |
| Income Before Income Tax Provision | 20,590 | 21,109 | (519) | -2.46% |
| Income Tax Provision | 7,156 | 5,347 | 1,809 | 33.83% |
| Net Income | \$13,434 | \$15,762 | (\$2,328) | -14.77% |
| Net Income Attributable to Common Shares (1) | \$13,365 | \$15,677 | (\$2,312) | -14.75% |

PER COMMON SHARE DATA:

| | | | | |
|--|------------|------------|----------|---------|
| Net Income - Basic | \$1.10 | \$1.30 | (\$0.20) | -15.38% |
| Net Income - Diluted | \$1.10 | \$1.30 | (\$0.20) | -15.38% |
| Dividend Per Share | \$1.04 | \$1.04 | \$0.00 | 0.00% |
| Number of Shares Used in Computation - Basic | 12,115,840 | 12,032,820 | | |
| Number of Shares Used in Computation - Diluted | 12,155,136 | 12,063,055 | | |

(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)

| | DECEMBER 31, 2017 | DECEMBER 31, 2016 | DECEMBER 31, 2017 vs 2016 | |
|---|------------------------------|------------------------------|----------------------------------|------------------------|
| | | | \$ Incr. (Decr.) | % Incr. (Decr.) |
| ASSETS | | | | |
| Cash & Due from Banks | \$40,244 | \$32,109 | \$8,135 | 25.34% |
| Available-for-sale Securities | 356,908 | 395,077 | (38,169) | -9.66% |
| Loans Held for Sale | 765 | 142 | 623 | 438.73% |
| Loans, Net | 806,857 | 743,362 | 63,495 | 8.54% |
| Intangible Assets | 11,954 | 11,959 | (5) | -0.04% |
| Other Assets | 60,231 | 59,643 | 588 | 0.99% |
| TOTAL ASSETS | \$1,276,959 | \$1,242,292 | \$34,667 | 2.79% |
| LIABILITIES | | | | |
| Deposits | \$1,008,449 | \$983,843 | \$24,606 | 2.50% |
| Repo Sweep Accounts | 3,766 | 5,175 | (1,409) | -27.23% |
| Total Deposits and Repo Sweeps | 1,012,215 | 989,018 | 23,197 | 2.35% |
| Borrowed Funds | 67,189 | 59,454 | 7,735 | 13.01% |
| Other Liabilities | 9,112 | 7,812 | 1,300 | 16.64% |
| TOTAL LIABILITIES | 1,088,516 | 1,056,284 | 32,232 | 3.05% |
| SHAREHOLDERS' EQUITY | | | | |
| Common Shareholders' Equity, Excluding Accumulated | | | | |
| Other Comprehensive Income | 189,950 | 186,906 | 3,044 | 1.63% |
| Accumulated Other Comprehensive Income: | | | | |
| Net Unrealized Gains/Losses on | | | | |
| Available-for-sale Securities | (1,566) | (949) | (617) | 65.02% |
| Defined Benefit Plans | 59 | 51 | 8 | 15.69% |
| TOTAL SHAREHOLDERS' EQUITY | 188,443 | 186,008 | 2,435 | 1.31% |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | \$1,276,959 | \$1,242,292 | \$34,667 | 2.79% |


CITIZENS & NORTHERN CORPORATION
CONDENSED, CONSOLIDATED FINANCIAL HIGHLIGHTS

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

| | AS OF OR FOR THE YEARS ENDED DECEMBER 31, | | % INCREASE (DECREASE) |
|---|--|--------------------|--------------------------------------|
| | <u>2017</u> | <u>2016</u> | |
| EARNINGS PERFORMANCE | | | |
| Net Income | \$13,434 | \$15,762 | -14.77% |
| Return on Average Assets | 1.08% | 1.28% | -15.63% |
| Return on Average Equity | 7.11% | 8.37% | -15.05% |
| BALANCE SHEET HIGHLIGHTS | | | |
| Total Assets | \$1,276,959 | \$1,242,292 | 2.79% |
| Available-for-Sale Securities | 356,908 | 395,077 | -9.66% |
| Loans (Net) | 806,857 | 743,362 | 8.54% |
| Allowance for Loan Losses | 8,856 | 8,473 | 4.52% |
| Deposits and Repo Sweep Accounts | 1,012,215 | 989,018 | 2.35% |
| OFF-BALANCE SHEET | | | |
| Outstanding Balance of Mortgage Loans Sold with Servicing Retained | 169,725 | 163,296 | 3.94% |
| Trust Assets Under Management | 916,580 | 879,844 | 4.18% |
| SHAREHOLDERS' VALUE (PER COMMON SHARE) | | | |
| Net Income - Basic | \$1.10 | \$1.30 | -15.38% |
| Net Income - Diluted | \$1.10 | \$1.30 | -15.38% |
| Dividends | \$1.04 | \$1.04 | 0.00% |
| Common Book Value | \$15.43 | \$15.36 | 0.46% |
| Tangible Common Book Value | \$14.45 | \$14.37 | 0.56% |
| Market Value (Last Trade) | \$24.00 | \$26.20 | -8.40% |
| Market Value / Common Book Value | 155.54% | 170.57% | -8.81% |
| Market Value / Tangible Common Book Value | 166.09% | 182.32% | -8.90% |
| Price Earnings Multiple (Annualized) | 21.82 | 20.15 | 8.29% |
| Dividend Yield (Annualized) | 4.33% | 3.97% | 9.07% |
| Common Shares Outstanding, End of Period | 12,214,525 | 12,113,228 | 0.84% |
| SAFETY AND SOUNDNESS | | | |
| Tangible Common Equity / Tangible Assets | 13.95% | 14.15% | -1.41% |
| Nonperforming Assets / Total Assets | 1.47% | 1.43% | 2.80% |
| Allowance for Loan Losses / Total Loans | 1.09% | 1.13% | -3.54% |
| Total Risk Based Capital Ratio (a) | 23.16% | 23.60% | -1.86% |
| Tier 1 Risk Based Capital Ratio (a) | 22.03% | 22.48% | -2.00% |
| Common Equity Tier 1 Risk Based Capital Ratio (a) | 22.03% | 22.48% | -2.00% |
| Leverage Ratio (a) | 14.25% | 14.27% | -0.14% |
| (a) Capital ratios for the most recent period are estimated. | | | |
| AVERAGE BALANCES | | | |
| Average Assets | \$1,247,759 | \$1,229,866 | 1.45% |
| Average Equity | \$188,958 | \$188,373 | 0.31% |
| EFFICIENCY RATIO | | | |
| Net Interest Income on a Fully Taxable-Equivalent Basis | \$44,708 | \$43,157 | 3.59% |
| Noninterest Revenue | 16,153 | 15,511 | 4.14% |
| Total (1) | \$60,861 | \$58,668 | 3.74% |
| Noninterest Expenses (2) | \$36,967 | \$34,744 | 6.40% |
| Efficiency ratio = (2)/(1) | 60.74% | 59.22% | 2.56% |

**QUARTERLY CONDENSED, CONSOLIDATED
INCOME STATEMENT INFORMATION**

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

For the Three Months Ended:

| | Dec. 31, 2017 | Sept. 30, 2017 | June 30, 2017 | Mar. 31, 2017 | Dec. 31, 2016 | Sept. 30, 2016 | June 30, 2016 | Mar. 31, 2016 |
|---|------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Interest income | \$11,785 | \$11,626 | \$11,340 | \$11,112 | \$11,106 | \$11,131 | \$10,924 | \$10,937 |
| Interest expense | 999 | 985 | 978 | 953 | 920 | 944 | 925 | 904 |
| Net interest income | 10,786 | 10,641 | 10,362 | 10,159 | 10,186 | 10,187 | 9,999 | 10,033 |
| Provision (credit) for loan losses | 23 | 322 | 4 | 452 | (3) | 538 | 318 | 368 |
| Net interest income after provision (credit) for loan losses | 10,763 | 10,319 | 10,358 | 9,707 | 10,189 | 9,649 | 9,681 | 9,665 |
| Noninterest revenue | 4,117 | 4,066 | 4,106 | 3,864 | 4,031 | 3,884 | 3,906 | 3,690 |
| Net gains on available-for-sale securities | 0 | 5 | 107 | 145 | 69 | 584 | 122 | 383 |
| Noninterest expenses | 9,401 | 9,192 | 9,076 | 9,298 | 8,558 | 8,579 | 8,535 | 9,072 |
| Income before income tax provision | 5,479 | 5,198 | 5,495 | 4,418 | 5,731 | 5,538 | 5,174 | 4,666 |
| Income tax provision | 3,536 | 1,262 | 1,374 | 984 | 1,500 | 1,451 | 1,303 | 1,093 |
| Net income | \$1,943 | \$3,936 | \$4,121 | \$3,434 | \$4,231 | \$4,087 | \$3,871 | \$3,573 |
| Net income attributable to common shares | \$1,933 | \$3,916 | \$4,100 | \$3,416 | \$4,209 | \$4,065 | \$3,850 | \$3,553 |
| Basic earnings per common share | \$0.16 | \$0.32 | \$0.34 | \$0.28 | \$0.35 | \$0.34 | \$0.32 | \$0.29 |
| Diluted earnings per common share | \$0.16 | \$0.32 | \$0.34 | \$0.28 | \$0.35 | \$0.34 | \$0.32 | \$0.29 |

**QUARTERLY CONDENSED, CONSOLIDATED
BALANCE SHEET INFORMATION**

(In Thousands) (Unaudited)

As of:

| | Dec. 31, 2017 | Sept. 30, 2017 | June 30, 2017 | March 31, 2017 | Dec. 31, 2016 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Cash & Due from Banks | \$40,244 | \$32,850 | \$34,643 | \$32,543 | \$32,109 |
| Available-for-Sale Securities | 356,908 | 365,086 | 364,753 | 376,919 | 395,077 |
| Loans Held for Sale | 765 | 437 | 1,708 | 163 | 142 |
| Loans, Net | 806,857 | 792,112 | 771,057 | 753,277 | 743,362 |
| Intangible Assets | 11,954 | 11,956 | 11,957 | 11,958 | 11,959 |
| Other Assets | 60,231 | 57,480 | 59,283 | 59,064 | 59,643 |
| TOTAL ASSETS | \$1,276,959 | \$1,259,921 | \$1,243,401 | \$1,233,924 | \$1,242,292 |
| LIABILITIES | | | | | |
| Deposits | \$1,008,449 | \$1,021,625 | \$997,262 | \$980,251 | \$983,843 |
| Repo Sweep Accounts | 3,766 | 4,739 | 4,875 | 6,244 | 5,175 |
| Total Deposits and Repo Sweeps | 1,012,215 | 1,026,364 | 1,002,137 | 986,495 | 989,018 |
| Borrowed Funds | 67,189 | 34,256 | 42,321 | 52,888 | 59,454 |
| Other Liabilities | 9,112 | 8,288 | 9,084 | 7,191 | 7,812 |
| TOTAL LIABILITIES | 1,088,516 | 1,068,908 | 1,053,542 | 1,046,574 | 1,056,284 |
| SHAREHOLDERS' EQUITY | | | | | |
| Common Shareholders' Equity, Excluding Accumulated Other Comprehensive Income/ Loss | 189,950 | 190,639 | 189,339 | 187,825 | 186,906 |
| Accumulated Other Comprehensive Income/ Loss: Net Unrealized Gains/Losses on Available-for-sale Securities | (1,566) | 227 | 369 | (630) | (949) |
| Defined Benefit Plans Adjustment, Net | 59 | 147 | 151 | 155 | 51 |
| TOTAL SHAREHOLDERS' EQUITY | 188,443 | 191,013 | 189,859 | 187,350 | 186,008 |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | \$1,276,959 | \$1,259,921 | \$1,243,401 | \$1,233,924 | \$1,242,292 |

| AVAILABLE-FOR-SALE SECURITIES (In Thousands) | December 31, 2017 | | September 30, 2017 | | December 31, 2016 | |
|--|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Obligations of U.S. Government agencies | \$8,026 | \$7,873 | \$8,028 | \$7,946 | \$9,671 | \$9,541 |
| Obligations of states and political subdivisions: | | | | | | |
| Tax-exempt | 103,673 | 105,111 | 108,521 | 110,557 | 118,140 | 119,037 |
| Taxable | 25,431 | 25,573 | 27,538 | 27,816 | 30,073 | 30,297 |
| Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies: | | | | | | |
| Residential pass-through securities | 52,992 | 52,347 | 55,247 | 54,917 | 58,922 | 58,404 |
| Residential collateralized mortgage obligations | 134,314 | 131,814 | 130,375 | 129,243 | 147,915 | 146,608 |
| Commercial mortgage-backed securities | 33,881 | 33,219 | 34,028 | 33,629 | 30,817 | 30,219 |
| Total debt securities | 358,317 | 355,937 | 363,737 | 364,108 | 395,538 | 394,106 |
| Marketable equity securities | 1,000 | 971 | 1,000 | 978 | 1,000 | 971 |
| Total | \$359,317 | \$356,908 | \$364,737 | \$365,086 | \$396,538 | \$395,077 |

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

| | Dec. 31, 2017 | Sept. 30, 2017 | Dec. 31, 2016 |
|---|--------------------------|---------------------------|--------------------------|
| Residential mortgage: | | | |
| Residential mortgage loans - first liens | \$359,987 | \$355,285 | \$334,102 |
| Residential mortgage loans - junior liens | 25,325 | 24,694 | 23,706 |
| Home equity lines of credit | 35,758 | 36,534 | 38,057 |
| 1-4 Family residential construction | 26,216 | 25,286 | 24,908 |
| Total residential mortgage | 447,286 | 441,799 | 420,773 |
| Commercial: | | | |
| Commercial loans secured by real estate | 159,266 | 158,520 | 150,468 |
| Commercial and industrial | 88,276 | 83,243 | 83,854 |
| Political subdivisions | 59,287 | 54,730 | 38,068 |
| Commercial construction and land | 14,527 | 13,937 | 14,287 |
| Loans secured by farmland | 7,255 | 7,744 | 7,294 |
| Multi-family (5 or more) residential | 7,713 | 7,566 | 7,896 |
| Agricultural loans | 6,178 | 6,137 | 3,998 |
| Other commercial loans | 10,986 | 12,383 | 11,475 |
| Total commercial | 353,488 | 344,260 | 317,340 |
| Consumer | 14,939 | 14,953 | 13,722 |
| Total | 815,713 | 801,012 | 751,835 |
| Less: allowance for loan losses | (8,856) | (8,900) | (8,473) |
| Loans, net | \$806,857 | \$792,112 | \$743,362 |

Loans Held for Sale
(In Thousands)

| | Dec. 31, 2017 | Sept. 30, 2017 | Dec. 31, 2016 |
|---|--------------------------|---------------------------|--------------------------|
| Residential mortgage loans originated and serviced - outstanding balance | \$170,490 | \$170,018 | \$163,438 |
| Less: outstanding balance of loans sold | (169,725) | (169,581) | (163,296) |
| Loans held for sale, net | \$765 | \$437 | \$142 |

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(In Thousands)

| | 3 Months Ended Dec. 31, 2017 | 3 Months Ended Sept. 30, 2017 | Year Ended Dec. 31, 2017 | Year Ended Dec. 31, 2016 |
|------------------------------|---|--|---|---|
| Balance, beginning of period | \$8,900 | \$8,635 | \$8,473 | \$7,889 |
| Charge-offs | (77) | (67) | (479) | (757) |
| Recoveries | 10 | 10 | 61 | 120 |
| Net charge-offs | (67) | (57) | (418) | (637) |
| Provision for loan losses | 23 | 322 | 801 | 1,221 |
| Balance, end of period | \$8,856 | \$8,900 | \$8,856 | \$8,473 |

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

| | Dec 31, 2017 | Sept. 30, 2017 | Dec 31, 2016 |
|---|-------------------------|---------------------------|-------------------------|
| Impaired loans with a valuation allowance | \$4,100 | \$3,581 | \$3,372 |
| Impaired loans without a valuation allowance | 5,411 | 5,388 | 7,488 |
| Total impaired loans | \$9,511 | \$8,969 | \$10,860 |
| | | | |
| Total loans past due 30-89 days and still accruing | \$9,449 | \$5,978 | \$7,735 |
| | | | |
| Nonperforming assets: | | | |
| Total nonaccrual loans | \$13,404 | \$12,400 | \$8,736 |
| Total loans past due 90 days or more and still accruing | 3,724 | 2,979 | 6,838 |
| Total nonperforming loans | 17,128 | 15,379 | 15,574 |
| Foreclosed assets held for sale (real estate) | 1,598 | 1,650 | 2,180 |
| Total nonperforming assets | \$18,726 | \$17,029 | \$17,754 |
| | | | |
| Loans subject to troubled debt restructurings (TDRs): | | | |
| Performing | \$636 | \$658 | \$5,803 |
| Nonperforming | 3,027 | 3,075 | 2,874 |
| Total TDRs | \$3,663 | \$3,733 | \$8,677 |
| | | | |
| Total nonperforming loans as a % of loans | 2.10% | 1.92% | 2.07% |
| Total nonperforming assets as a % of assets | 1.47% | 1.35% | 1.43% |
| Allowance for loan losses as a % of total loans | 1.09% | 1.11% | 1.13% |
| Allowance for loan losses as a % of nonperforming loans | 51.70% | 57.87% | 54.40% |

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

| | 3 Months Ended 12/31/2017 Average Balance | Rate of Return/ Cost of Funds % | 3 Months Ended 9/30/2017 Average Balance | Rate of Return/ Cost of Funds % | 3 Months Ended 12/31/2016 Average Balance | Rate of Return/ Cost of Funds % |
|--|---|--|--|--|---|--|
| EARNING ASSETS | | | | | | |
| Available-for-sale securities, at amortized cost: | | | | | | |
| Taxable | \$257,714 | 2.14% | \$251,774 | 2.11% | \$279,385 | 1.96% |
| Tax-exempt | 106,773 | 4.23% | 111,721 | 4.27% | 118,541 | 4.36% |
| Total available-for-sale securities | 364,487 | 2.76% | 363,495 | 2.78% | 397,926 | 2.67% |
| Interest-bearing due from banks | 15,423 | 1.29% | 21,260 | 1.25% | 14,424 | 0.74% |
| Loans held for sale | 393 | 5.05% | 781 | 5.08% | 341 | 7.00% |
| Loans receivable: | | | | | | |
| Taxable | 729,219 | 4.92% | 717,012 | 4.92% | 688,123 | 4.87% |
| Tax-exempt | 73,683 | 4.56% | 71,334 | 4.51% | 57,293 | 4.53% |
| Total loans receivable | 802,902 | 4.88% | 788,346 | 4.88% | 745,416 | 4.84% |
| Total Earning Assets | 1,183,205 | 4.18% | 1,173,882 | 4.16% | 1,158,107 | 4.05% |
| Cash | 17,645 | | 18,325 | | 16,636 | |
| Unrealized gain/loss on securities | (844) | | 1,449 | | 4,223 | |
| Allowance for loan losses | (9,013) | | (8,769) | | (8,585) | |
| Bank premises and equipment | 15,313 | | 15,431 | | 15,425 | |
| Intangible assets | 11,954 | | 11,958 | | 11,960 | |
| Other assets | 42,294 | | 40,944 | | 41,431 | |
| Total Assets | \$1,260,554 | | \$1,253,220 | | \$1,239,197 | |
| INTEREST-BEARING LIABILITIES | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Interest checking | \$215,300 | 0.28% | \$219,633 | 0.25% | \$212,463 | 0.16% |
| Money market | 188,659 | 0.19% | 194,947 | 0.19% | 199,983 | 0.18% |
| Savings | 147,382 | 0.10% | 145,025 | 0.10% | 135,059 | 0.10% |
| Certificates of deposit | 119,936 | 0.92% | 119,351 | 0.85% | 113,776 | 0.78% |
| Individual Retirement Accounts | 96,148 | 0.46% | 96,934 | 0.45% | 101,046 | 0.43% |
| Other time deposits | 682 | 0.00% | 1,472 | 0.27% | 676 | 0.00% |
| Total interest-bearing deposits | 768,107 | 0.35% | 777,362 | 0.33% | 763,003 | 0.28% |
| Borrowed funds: | | | | | | |
| Short-term | 25,669 | 1.28% | 7,139 | 0.44% | 18,182 | 0.48% |
| Long-term | 29,480 | 3.35% | 36,469 | 3.67% | 38,497 | 3.75% |
| Total borrowed funds | 55,149 | 2.39% | 43,608 | 3.14% | 56,679 | 2.70% |
| Total Interest-bearing Liabilities | 823,256 | 0.48% | 820,970 | 0.48% | 819,682 | 0.45% |
| Demand deposits | 237,518 | | 232,839 | | 221,928 | |
| Other liabilities | 9,308 | | 8,801 | | 9,366 | |
| Total Liabilities | 1,070,082 | | 1,062,610 | | 1,050,976 | |
| Shareholders' equity, excluding other comprehensive income/loss | | | | | | |
| Accumulated other comprehensive income/loss | 190,878 | | 189,520 | | 185,437 | |
| | (406) | | 1,090 | | 2,784 | |
| Total Shareholders' Equity | 190,472 | | 190,610 | | 188,221 | |
| Total Liabilities and Shareholders' Equity | \$1,260,554 | | \$1,253,220 | | \$1,239,197 | |
| Interest Rate Spread | | 3.70% | | 3.68% | | 3.60% |
| Net Interest Income/Earning Assets | | 3.85% | | 3.83% | | 3.73% |
| Total Deposits (Interest-bearing and Demand) | \$1,005,625 | | \$1,010,201 | | \$984,931 | |

(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 have been presented on an annualized basis.

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

| | Year Ended 12/31/2017 Average Balance | Rate of Return/ Cost of Funds % | Year Ended 12/31/2016 Average Balance | Rate of Return/ Cost of Funds % |
|--|---|--|---|--|
| EARNING ASSETS | | | | |
| Available-for-sale securities, at amortized cost: | | | | |
| Taxable | \$259,079 | 2.12% | \$293,636 | 2.01% |
| Tax-exempt | 112,746 | 4.34% | 111,343 | 4.71% |
| Total available-for-sale securities | 371,825 | 2.79% | 404,979 | 2.75% |
| Interest-bearing due from banks | 16,634 | 1.14% | 19,022 | 0.61% |
| Loans held for sale | 470 | 5.32% | 472 | 5.72% |
| Loans receivable: | | | | |
| Taxable | 711,901 | 4.90% | 662,769 | 4.95% |
| Tax-exempt | 68,739 | 4.52% | 60,307 | 4.52% |
| Total loans receivable | 780,640 | 4.87% | 723,076 | 4.92% |
| Total Earning Assets | 1,169,569 | 4.16% | 1,147,549 | 4.08% |
| Cash | 17,322 | | 16,570 | |
| Unrealized gain/loss on securities | 88 | | 7,166 | |
| Allowance for loan losses | (8,820) | | (8,082) | |
| Bank premises and equipment | 15,541 | | 15,413 | |
| Intangible assets | 11,957 | | 11,966 | |
| Other assets | 42,102 | | 39,284 | |
| Total Assets | \$1,247,759 | | \$1,229,866 | |
| INTEREST-BEARING LIABILITIES | | | | |
| Interest-bearing deposits: | | | | |
| Interest checking | \$209,893 | 0.23% | \$201,357 | 0.15% |
| Money market | 191,356 | 0.19% | 199,405 | 0.17% |
| Savings | 143,575 | 0.10% | 132,679 | 0.10% |
| Certificates of deposit | 117,366 | 0.85% | 117,130 | 0.75% |
| Individual Retirement Accounts | 97,519 | 0.45% | 103,467 | 0.42% |
| Other time deposits | 1,014 | 0.10% | 1,036 | 0.10% |
| Total interest-bearing deposits | 760,723 | 0.32% | 755,074 | 0.28% |
| Borrowed funds: | | | | |
| Short-term | 23,761 | 0.90% | 23,906 | 0.65% |
| Long-term | 35,658 | 3.64% | 38,610 | 3.76% |
| Total borrowed funds | 59,419 | 2.54% | 62,516 | 2.57% |
| Total Interest-bearing Liabilities | 820,142 | 0.48% | 817,590 | 0.45% |
| Demand deposits | 230,194 | | 215,373 | |
| Other liabilities | 8,465 | | 8,530 | |
| Total Liabilities | 1,058,801 | | 1,041,493 | |
| Shareholders' equity, excluding other comprehensive income/loss | | | | |
| Accumulated other comprehensive income/loss | 188,756 | | 183,671 | |
| | 202 | | 4,702 | |
| Total Shareholders' Equity | 188,958 | | 188,373 | |
| Total Liabilities and Shareholders' Equity | \$1,247,759 | | \$1,229,866 | |
| Interest Rate Spread | | 3.68% | | 3.63% |
| Net Interest Income/Earning Assets | | 3.82% | | 3.76% |
| Total Deposits (Interest-bearing and Demand) | \$990,917 | | \$970,447 | |

(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 have been presented on an annualized basis.

COMPARISON OF NONINTEREST REVENUE
(In Thousands)

| | Three Months Ended | | | Years Ended | |
|---|--------------------|-------------------|------------------|------------------|------------------|
| | Dec. 31, 2017 | Sept. 30, 2017 | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2016 |
| Service charges on deposit accounts | \$1,142 | \$1,168 | \$1,172 | \$4,488 | \$4,695 |
| Service charges and fees | 101 | 115 | 104 | 417 | 439 |
| Trust and financial management revenue | 1,430 | 1,292 | 1,193 | 5,399 | 4,760 |
| Brokerage revenue | 246 | 187 | 187 | 797 | 756 |
| Insurance commissions, fees and premiums | 17 | 26 | 28 | 115 | 102 |
| Interchange revenue from debit card transactions | 572 | 561 | 512 | 2,221 | 1,943 |
| Net gains from sales of loans | 167 | 297 | 330 | 818 | 1,029 |
| Loan servicing fees, net | 82 | 35 | 64 | 244 | 103 |
| Increase in cash surrender value of life insurance | 98 | 97 | 96 | 379 | 382 |
| Other operating income | 262 | 288 | 345 | 1,275 | 1,302 |
| Total other operating income, before realized gains on available-for-sale securities, net | \$4,117 | \$4,066 | \$4,031 | \$16,153 | \$15,511 |

COMPARISON OF NONINTEREST EXPENSES
(In Thousands)

| | Three Months Ended | | | Years Ended | |
|--|--------------------|-------------------|------------------|------------------|------------------|
| | Dec. 31, 2017 | Sept. 30, 2017 | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2016 |
| Salaries and wages | \$3,981 | \$3,985 | \$3,710 | \$15,806 | \$15,411 |
| Pensions and other employee benefits | 1,484 | 1,216 | 1,218 | 5,374 | 4,717 |
| Occupancy expense, net | 582 | 580 | 570 | 2,340 | 2,340 |
| Furniture and equipment expense | 462 | 471 | 429 | 1,834 | 1,730 |
| FDIC Assessments | 93 | 93 | 40 | 376 | 488 |
| Pennsylvania shares tax | 321 | 336 | 342 | 1,329 | 1,274 |
| Professional fees | 336 | 269 | 310 | 1,086 | 1,126 |
| Automated teller machine and interchange expense | 339 | 346 | 330 | 1,284 | 1,137 |
| Software subscriptions | 320 | 299 | 252 | 1,190 | 981 |
| Other operating expense | 1,483 | 1,597 | 1,357 | 6,348 | 5,540 |
| Total noninterest expense | \$9,401 | \$9,192 | \$8,558 | \$36,967 | \$34,744 |