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DELTA REPORT

10-K

CZNC - CITIZENS & NORTHERN CORP

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	3517
CHANGES	370
DELETIONS	1443
ADDITIONS	1704

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _________________________.

Commission file number: 0-16084

CITIZENS & NORTHERN CORPORATION

(Exact name of Registrant as specified in its charter)

PENNSYLVANIA	23-2451943
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

90-92 MAIN STREET, WELLSBORO, PA 16901
(Address of principal executive offices) (Zip code)

570-724-3411
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock Par Value $1.00	CZNC	NASDAQ Capital Market

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐ ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates at June 30, 2022 June 30, 2023, the registrant's most recently completed second fiscal quarter, was $358,448,836. $285,962,462.

The number of shares of common stock outstanding at March 10, 2023 February 29, 2024 was 15,562,881. 15,378,065.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the annual meeting of its shareholders to be held April 20, 2023 April 25, 2024 are incorporated by reference into Parts III and IV of this report.

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PART I

ITEM 1. BUSINESS

Citizens & Northern Corporation ("Corporation") is a holding company whose principal activity is community banking. The Corporation's principal office is located in Wellsboro, Pennsylvania. The largest subsidiary is Citizens & Northern Bank ("C&N Bank" or the "Bank"). The Corporation's other wholly-owned subsidiaries are Citizens & Northern Investment Corporation and Bucktail Life Insurance Company ("Bucktail"). Citizens & Northern Investment Corporation was formed in 1999 to engage in investment activities. Bucktail reinsures credit and mortgage life and accident and health insurance on behalf of C&N Bank.

Over the past few years, the Corporation has been employing a growth strategy. Prior to In 2019 substantially all of the Corporation's operations were conducted in its legacy markets in the Northern tier/Northcentral region of Pennsylvania and Southern tier of New York. Subsequently, 2020, the Corporation has expanded into Southeastern Pennsylvania by acquisitions and Southcentral Pennsylvania by opening new branches. The Corporation acquired Covenant Financial, Inc. ("Covenant"), effective July 1, 2020. Covenant was the parent company of Covenant Bank, a commercial bank which operated a community bank office in Bucks County, Pennsylvania and another in Chester County, Pennsylvania. The Covenant acquisition followed the 2019 acquisition of Monument Bancorp, Inc. ("Monument"), a commercial bank with offices in Bucks County. In Southcentral Pennsylvania, in 2021, the Corporation converted the lending office in York, Pennsylvania to a full-service branch and established a new branch in Lancaster, Pennsylvania. Mainly as a result of the acquisitions and subsequent growth in the newer markets, the Corporation's consolidated total assets at December 31, 2022 December 31, 2023 of $2.5 billion were up 90% 52% from the corresponding total at December 31, 2018 December 31, 2019. Similarly, gross loans of $1.7 billion $1.8 billion at December 31, 2022 December 31, 2023 were up 110% 56% from December 31, 2018 December 31, 2019 and total deposits of $2.0 billion were up 93% 61% from December 31, 2018 December 31, 2019.

C&N Bank is a Pennsylvania banking institution that was formed by the consolidation of Northern National Bank of Wellsboro and Citizens National Bank of Towanda in 1971. C&N Bank has held its current name since May 6, 1975, at which time C&N Bank changed its charter from a national bank to a Pennsylvania bank. The Bank has expanded its presence over the past several decades through a series of mergers as well as by opening new branch and lending offices and providing access to banking services via the internet and through ATMs. At December 31, 2022 December 31, 2023, the Bank had 29 branch offices, including 22 in the Northern tier/Northcentral region of Pennsylvania, 1 in the Southern tier of New York State, 4 in Southeastern Pennsylvania (3 in Bucks County and 1 in Chester County) and 2 in Southcentral Pennsylvania (York and Lancaster). In addition to its branch locations, the Bank has a lending office in Elmira, New York.

C&N Bank provides an extensive range of banking services, including deposit and loan products for personal and commercial customers. The Bank also provides wealth management services through its trust department and C&N Financial Services, LLC ("CNFS"). The trust department offers a wide range of financial services, such as 401(k) plans, retirement planning, estate planning, estate settlements and asset management. CNFS, a wholly-owned subsidiary of the Bank, is a licensed insurance agency that provides insurance products to individuals and businesses and through its a broker-dealer division, arrangement, offers mutual funds, annuities, educational savings accounts and other investment products through registered agents. CNFS's operations are not significant in relation to the total operations of the Corporation.

Northern Tier Holding LLC, acquires, holds and disposes of real property acquired by the Bank. Bank through foreclosure procedures. C&N Bank is the sole member of Northern Tier Holding LLC.

All phases of the Bank's business are competitive. The Bank competes with online financial institutions, local commercial banks headquartered in our market areas and other commercial banks with branches in our market area. Many of the online financial institutions and some of the banks that have branches in our market areas are larger in overall size. With respect to lending activities and attracting deposits, the Bank also competes with savings banks, savings and loan associations, insurance companies, regulated small loan companies and credit unions. Also, the Bank competes with mutual funds, exchange-traded funds and other investment vehicles for deposits. C&N Bank competes with insurance companies, investment counseling firms, mutual funds and other business firms and individuals for trust, investment management, brokerage and insurance services. The Bank is generally competitive with all financial institutions in our service areas with respect to interest rates paid on time and savings deposits, service charges on deposit accounts and interest rates charged on loans. The Bank serves a diverse customer base and is not economically dependent on any small group of customers or on any individual industry.

At December 31, 2023, C&N Bank had total assets of $2,501,822,000, total deposits of $2,030,909,000 and net loans outstanding of $1,828,931,000.

At December 31, 2022, C&N Bank had total assets of $2,439,371,000, total deposits of $2,016,666,000 and net loans outstanding of $1,723,425,000.

Most activities of the Corporation and its subsidiaries are regulated by federal or state agencies. The primary regulatory relationships are described as follows:

- The Corporation is a bank holding company formed under the provisions of Section 3 of the Federal Reserve Act. The Corporation is under the direct supervision of the Federal Reserve and must comply with the reporting requirements of the Federal Bank Holding Company Act.
- C&N Bank is a state-chartered, nonmember Federal Reserve member bank, supervised by the Federal Deposit Insurance Corporation (FDIC) Reserve Bank of Philadelphia and the Pennsylvania Department of Banking and Securities.
- The Pennsylvania Department of Insurance regulates CNFS's insurance activities. Brokerage products are offered through third party networking agreements.
- Bucktail is incorporated in the state of Arizona and supervised by the Arizona Department of Insurance.

A copy of the Corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, current events reports on Form 8-K, and amendments to these reports, will be furnished without charge upon written request to the Corporation's Treasurer at P.O. Box 58, Wellsboro, PA 16901. Copies of these reports will be furnished as soon as reasonably possible after they are filed electronically with the Securities and Exchange Commission. The information is also available through the Corporation's web site at www.cnbankpa.com www.cnbankpa.com.

Human Capital

The Corporation's Board of Directors and executive leadership team have established the following mission, vision and values:

Mission: Creating value through lifelong relationships with our customers, teammates, shareholders and communities.

Vision: Every customer says "C&N is the ONLY bank I need."

Values: Teamwork, Respect, Responsibility and Accountability, Excellence, Integrity, Client Focus, Have Fun.

We recognize that our ability to create value on a consistent basis is highly dependent upon the effectiveness of our team.

The Corporation's key human capital management objectives are to attract and retain diverse raw and seasoned talent that fits our values and culture. Our talent strategy focuses on acquiring new employees through branding and outreach programs, developing employees though a robust onboarding program, ongoing training, and performance management, and retaining employees through recognition, engagement, and an attractive total rewards package. At December 31, 2023, the Corporation had 404 full-time equivalent employees.

Diversity and Inclusion

At C&N Bank, we are committed to creating value through relationships. At the heart of this mission is a promise of excellence in service to all people, as demonstrated by our commitment to equity of opportunity, inclusion and our fostering of a spirit of belonging. We live our values of respect, integrity and excellence by creating access and providing support to help our diverse constituents of customers, teammates, shareholders and communities in achieving their financial goals. We embrace inclusion of all of our stakeholders as an important component of our vision to be the ONLY bank our customers need.

Compensation and Benefits

The Corporation offers competitive compensation to attract and retain talent. Our generous total rewards package includes market-competitive salary, bonuses or sales commissions, short-term and long-term equity incentives, healthcare and retirement benefits, and paid time off. Employees have regular performance reviews and salary raises commensurate with performance. Employees have access to a holistic suite of items within our employee assistance program that caters to physical, emotional, and mental wellbeing for the employee and their family.

Training and Development

The Corporation provides a robust training and development program that supports our culture, prepares employees for their immediate role, develops them for long term success at the Bank and supports personal enrichment. We offer functional training, culture building exercises, personal development, C&N Bank history, C&N Bank integration and ongoing technical training throughout each year. Employees also have access to additional educational and development opportunities including tuition reimbursement and certification programs.

Communication and Engagement

At C&N, we believe in the importance of employee communication and engagement. We utilize several methods to foster engagement, including activities such as Employee Recognition programs, Service Anniversary Awards, Bank wide monthly calls, semi-annual Bank wide events, annual employee surveys, focus groups, daily huddles, and the Giving Back, Giving Together community service program. We believe keeping our team well informed, connected, and appreciated adds to the success of our organization.

ITEM 1A. RISK FACTORS

The Corporation is subject to the many risks and uncertainties applicable to all banking companies, as well as risks specific to the Corporation’s geographic locations. Although the Corporation seeks to effectively manage risks, and maintains a level of equity that exceeds the banking regulatory agencies’ thresholds for being considered “well capitalized” (see Note 18 17 to the consolidated financial statements), management cannot predict the future and cannot eliminate the possibility of credit, operational or other losses. Accordingly, actual results may differ materially from management’s expectations. Some of the Corporation’s significant risks and uncertainties are discussed below.

Risk Related to Acquisition Activity – As described in Item 1, the Corporation has completed acquisitions of banking companies in 2020 and 2019 (Covenant and Monument) and expanded its geographic footprint to Southeastern and Southcentral Pennsylvania. Further, management intends to continue to pursue additional acquisition opportunities. Potential acquisitions may disrupt the Corporation’s business and dilute shareholder value. We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial service companies. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including: potential exposure to unknown or contingent liabilities of the target company, exposure to potential asset quality issues of the target company, difficulty and expense of integrating the operations and personnel of the target company, potential disruption to the Corporation’s business, potential diversion of management’s time and attention, the possible loss of key employees and customers of the target company, difficulty in estimating the value of the target company and potential changes in banking or tax laws or regulations that may affect the target company. Acquisitions may involve the payment of a premium over book and market values, and, therefore, some dilution of the Corporation’s tangible book value and net income per share of common stock may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue projections, cost savings, increases in geographic or product presence, and/or other projected benefits from recent or future acquisitions could have a material adverse effect on the Corporation’s financial condition or results of operations.

Risks Related to Banking Industry Turmoil – The Corporation is exposed to the risk that when a bank or other financial institution experiences financial difficulties, there could be an adverse “contagion” impact on other banking institutions. The failures of Silicon Valley Bank in California, Signature Bank in New York and First Republic Bank in California during the first and second quarters of 2023 caused an element of panic and uncertainty in the investor community and among bank customers generally, including, specifically, deposit customers. While the Corporation does not believe that the circumstances of these three failures are necessarily indicators of broader issues for concern with all other banks or with the banking system itself, the failures have reduced customer confidence and are

likely to affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets and/or have negative reputational ramifications for institutions in the banking industry, including, possibly, the Corporation. The Corporation will continue to closely monitor the ongoing events and volatility in the financial services industry, together with any responsive measures taken by the banking regulators to mitigate or manage the turmoil.

Credit Risk from Lending Activities - A significant source of risk is the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loan agreements. Most of the Corporation’s loans are secured, but some loans are unsecured. With respect to secured loans, the collateral securing the repayment of these loans may be insufficient to cover the obligations owed under such loans. A significant portion of such collateral is real estate located in the Corporation's core banking markets. Collateral values may be adversely affected by changes in economic, environmental and other conditions, including declines in the value of real estate, changes in interest rates, changes in monetary and fiscal policies of the federal government, wide-spread disease, terrorist activity, environmental contamination and other external events.

Table A decline in local economic conditions may have a greater effect on the Corporation's earnings and capital than on the earnings and capital of Contents

other financial institutions whose real estate loan portfolios are more geographically diverse. In addition, collateral appraisals that are out of date or that do not meet industry recognized standards may create the impression that a loan is adequately collateralized when it is not. The Corporation has adopted underwriting and credit monitoring procedures and policies, including regular reviews of appraisals and borrower financial statements, that management believes are appropriate to mitigate the risk of loss. Also, as discussed further in the "Provision and Allowance for Loan Credit Losses" section of Management's Discussion and Analysis, the Corporation attempts uses an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the amount remaining estimated life of losses that may be inherent in the portfolio through a quarterly evaluation process that includes several members of management financial asset using historical experience, current conditions, and that addresses specifically identified problem loans, as well as other quantitative data reasonable and qualitative factors. supportable forecasts. Such risk management and accounting policies and procedures, however, may not prevent unexpected losses that could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

A significant portion of the Corporation's loan portfolio consists of commercial real estate loans, including owner occupied properties, non-owner-occupied properties, and other commercial properties. These types of loans are generally viewed as having more risk of default than residential real estate loans and depend on cash flows from the owner's business or the property's tenants to service the debt. The borrower's cash flows may be affected significantly by general economic conditions, a downturn in the local economy or in occupancy rates in the market where the property is located, any of which could increase the likelihood of default. Commercial real estate loans also typically have larger loan balances, and, therefore, the deterioration of one or a few of these loans could cause a significant increase in the percentage of the Corporation's non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for credit losses for loans, and an increase in charge-offs, all of which could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

The banking regulatory agencies have recently expressed concerns about weaknesses in the current commercial real estate market. Banking regulators generally give commercial real estate lending greater scrutiny and may require banks with higher levels of commercial real estate loans to implement enhanced risk management practices, including stricter underwriting, internal controls, risk management policies, more granular reporting, and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures. If the Corporation's banking regulators determine that our commercial real estate lending activities are particularly risky and are subject to such heightened scrutiny, the Corporation may incur significant additional costs or be required to restrict certain of our commercial real estate lending activities. Furthermore, failures in the Corporation's risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Interest Rate Risk - Business risk arising from changes in interest rates is an inherent factor in operating a banking organization. The Corporation's assets are predominantly long-term, fixed-rate loans and debt securities. Funding for these assets comes principally from deposits with no stated maturities, term deposits and borrowed funds. Accordingly, there is an inherent risk of lower future earnings or decline in fair value of the Corporation's financial instruments when interest rates change.

Moreover, the Federal Reserve lowered the Federal Funds rate in 2020 and maintained a rate of 0% to 0.25% throughout 2021 while injecting massive amounts of liquidity into the nation's monetary system. In 2022, the Federal Reserve changed course, raising the Federal Funds rate several times to a range of 4.25% to 4.50% at December 31, 2022 and then . Furthermore, in 2023, the Federal Reserve raised

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the rate several times to 4.50% a range of 5.25% to 4.75% on February 1, 2023 5.50% at December 31, 2023. The Federal Reserve's rate increases, along with an accompanying tightening of the money supply, have been conducted in an effort to contain inflation.

Significant fluctuations in interest rates, including fluctuations in interest rates triggered by the Federal Reserve's actions, could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Limited Geographic Diversification - The Corporation grants commercial, residential and personal loans to customers primarily in the Corporation's legacy markets of the Northern tier/Northcentral regions of Pennsylvania and Southern tier of New York and in Southeastern and Southcentral Pennsylvania. Although the Corporation has a diversified loan portfolio, a significant portion of its debtors' ability to honor their contracts is dependent on the local economic conditions within these regions. Deterioration in economic conditions could adversely affect the quality of the Corporation's loan portfolio and the demand for its products and services, and accordingly, could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Competition - All phases of the Corporation's business are competitive. Some competitors are much larger in total assets and capitalization than the Corporation, have greater access to capital markets and can offer a broader array of financial services. There can be no assurance that the Corporation will be able to compete effectively in its markets. Furthermore, Additionally, the financial services industry is undergoing rapid technological change with frequent introductions of new technology-driven products and services, including those related to artificial intelligence, to technologies that automate functions previously performed manually, facilitate the ability of customers to engage in financial transactions and otherwise enhance the customer experience. Many of these initiatives take a significant amount of time to develop and implement, are tied to critical systems, and require substantial financial, human, and other resources. The investments by larger competitors in these initiatives may be more substantial than those of the Corporation, which may cause the Corporation to lose market share. Although the Corporation, in making such investments, takes steps to mitigate the risks and uncertainties associated with these initiatives, they are not always implemented on time, within budget, or without negative financial, operational, or customer impact and do not always perform as the Corporation or its customers expect. Moreover, costs associated with implementing technology-driven products or other services, or technology-related or other developments increasing the nature or level of competition, could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Inability to Attract and Develop Qualified Personnel – The Corporation believes that our future success of the Corporation will depend in large part on our ability to attract, develop and retain highly qualified management, lending, financial, technological, marketing, sales, and support personnel. Competition for qualified personnel is intense and we cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions, and it may be increasingly difficult for us to hire personnel over time. Our ability to retain key officers and employees may be further impacted by legislation and regulation affecting the financial services industry. For example, legislation and bank regulatory action that places restrictions on executive compensation at, and the pay practices of, financial institutions may further impact our ability to compete for talent with other industries that are not subject to the same limitations as financial institutions. Any inability to attract, develop and retain significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations and financial condition.

Cyber Security Risks and Technology Dependence – In the ordinary course of business, the Corporation collects and stores sensitive data, including proprietary business information and personally identifiable information of our customers and employees in systems and on networks. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf. The secure processing, maintenance and use of this information is critical to operations and our business strategy.

The Corporation has invested in accepted technologies, and continually reviews processes and practices that are designed to protect our networks, computers and data from damage or unauthorized access, and maintains an information security risk insurance policy. On an

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on-going basis the Corporation assesses its cyber security procedures and controls and performs network penetration tests on at least an annual basis. All employees receive monthly information security awareness training.

Despite these security measures, the Corporation's computer systems and infrastructure or those of third parties used by us to compile, process or store such information may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to sensitive information, destroy data, steal financial assets, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber-attacks and other means. Denial of service attacks have been launched against a number of large financial services institutions. The Corporation may be subject to similar attacks in the future. Hacking and identity theft risks could

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cause serious reputational harm and financial loss to the Corporation. Cyber threats are rapidly evolving and the Corporation may not be able to anticipate or prevent all such attacks. Advancements in the use of artificial intelligence could lead to attacks by exploiting vulnerabilities to manipulate model outputs or bypass security controls. A breach of any kind could compromise systems and the information stored there could be accessed, damaged, locked up, or disclosed. A breach in security could result in legal claims, regulatory penalties, disruption in operations, and damage to the Corporation's reputation, which could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Government Regulation and Monetary Policy - The Corporation and the banking industry are subject to extensive regulation and supervision under federal and state laws and regulations. The requirements and limitations imposed by such laws and regulations limit the way the Corporation conducts its business, undertakes new investments and activities, and obtains financing. These regulations are designed primarily for the protection of the deposit insurance funds and consumers and not to benefit the Corporation's shareholders. Financial institution regulation has been the subject of significant legislation in recent years and may be the subject of further significant legislation in the future, none of which is in the control of the Corporation. Significant new laws or changes in, or repeals of, existing laws could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity. For example, the regulatory authorities may take actions that could result in decreases in service charge revenue from deposit accounts, including overdraft privilege and other fees. Further, federal monetary policy, particularly as implemented through the Federal Reserve System, significantly affects short-term interest rates and credit conditions, and any unfavorable change in these conditions could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Bank Secrecy Act and Related Laws and Regulations - These laws and regulations have significant implications for all financial institutions. In recent years, they have increased due diligence requirements and reporting obligations for financial institutions, created new crimes and penalties, and required the federal banking agencies, in reviewing merger and other acquisition transactions, to consider the effectiveness of the parties to such transactions in combating money laundering activities. Even innocent noncompliance and inconsequential failure to follow the regulations could result in significant fines or other penalties, which could have a material adverse impact on the Corporation's financial condition, results of operations or liquidity.

The Federal Home Loan Bank of Pittsburgh - Through its subsidiary (C&N Bank), the Corporation is a member of the Federal Home Loan Bank of Pittsburgh (FHLB-Pittsburgh), which is one of 11 regional Federal Home Loan Banks. The Corporation has a line of credit with the FHLB-Pittsburgh that is secured by a blanket lien on its loan portfolio. Access to this line of credit is critical if a funding need arises. However, there can be no assurance that the FHLB-Pittsburgh will be able to provide funding when needed, nor can there be assurance that the FHLB-Pittsburgh will provide funds specifically to the Corporation should its financial condition deteriorate and/or regulators prevent that access. The inability to access this source of funds could have a materially adverse effect on the Corporation's financial flexibility if alternate financing is not available at acceptable interest rates. The failure of the FHLB-Pittsburgh or the FHLB system in general, may materially impair the Corporation's ability to meet short- and long-term liquidity needs or to meet growth plans.

The Corporation owns common stock of the FHLB-Pittsburgh to qualify for membership in the FHLB system and access services from the FHLB-Pittsburgh. The FHLB-Pittsburgh faces a variety of risks in its operations including interest rate risk, counterparty credit risk, and adverse changes in its regulatory framework. In addition, the 11 Federal Home Loan Banks are jointly liable for the consolidated obligations of the FHLB system. To the extent that one FHLB cannot meet its obligations, other FHLBs can be called upon to make required payments. Such risks affecting the FHLB-Pittsburgh could adversely impact the value of the Corporation's investment in the common stock of the FHLB-Pittsburgh and/or affect its access to credit.

Soundness of Other Financial Institutions - In addition to the FHLB-Pittsburgh, the Corporation maintains other credit facilities that provide it with additional liquidity. These facilities include secured and unsecured borrowings from the Federal Reserve Bank and third-party commercial banks. The Corporation believes that it maintains a strong liquidity position and that it is well positioned to withstand foreseeable market conditions. However, legal agreements with counterparties typically include provisions allowing them to restrict or terminate the Corporation's access to these credit facilities with or without advance notice and at their sole discretion.

Financial institutions are interconnected because of trading, clearing, counterparty, and other relationships. Financial market conditions have been negatively impacted in the past and such disruptions or adverse changes in the Corporation's results of operations or financial condition could, in the future, have a negative impact on available sources of liquidity. Such a situation may arise due to circumstances that are outside the Corporation's control, such as general market disruptions or operational problems affecting the Corporation or third parties. The Corporation's efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or

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unanticipated reductions in available liquidity. In such events, the Corporation's cost of funds may increase, thereby reducing net interest

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income, or the Corporation may need to sell a portion of its securities and/or loan portfolio, which, depending upon market conditions, could necessitate realizing a loss.

Securities Markets – The fair value of the Corporation's available-for-sale debt securities, as well as the revenues the Corporation earns from its wealth management services, are sensitive to price fluctuations and market events.

Declines in the values of the Corporation's securities holdings, combined with adverse changes in the expected cash flows from these investments, would negatively impact their value for liquidity management purposes and could result in other-than-temporary impairment charges. the recording of an allowance for credit losses. At December 31, 2022 December 31, 2023, the fair value of the Corporation's available-for-sale debt securities portfolio was $63.8 million $415.8 million, or 11.3%, 10.6% less than the amortized cost basis. The unrealized decrease in fair value was consistent with the significant increases in market interest rates that occurred in 2022, and there were no credit-related declines in fair value subsequent to the purchases of the securities, and no other-than-temporary allowance for credit losses recorded was required on available-for-sale debt securities in an unrealized loss position at December 31, 2022 December 31, 2023. Further increases in interest rates would cause the fair value of the available-for-sale debt securities portfolio to decrease further. For additional information regarding debt securities, see the "Securities" section of Management's Discussion and Analysis and Note 7 6 to the consolidated financial statements.

The Corporation's trust revenue is determined, in part, from the value of the underlying investment portfolios. Accordingly, if the values of those investment portfolios decrease, whether due to factors influencing U.S. or international securities markets, in general, or otherwise, the Corporation's revenue could be negatively impacted. In addition, the Corporation's ability to sell its brokerage services is dependent, in part, upon consumers' level of confidence in securities markets.

Mortgage Banking – Since 2009, the Corporation has originated and sold residential mortgage loans to the secondary market through the MPF Xtra program. Since 2014, the Corporation has also originated and sold residential mortgage loans to the secondary market through the MPF Original program. Both of these programs are administered by the Federal Home Loan Banks of Pittsburgh and Chicago. At December 31, 2022 December 31, 2023, the total outstanding balance of residential mortgages sold and serviced through the two programs amounted to $325,677,000. $323,298,000. The Corporation must strictly adhere to the MPF Xtra and MPF Original program guidelines for origination, underwriting and servicing loans, and failure to do so may result in the Corporation being forced to repurchase loans or being dropped from the program. As of December 31, 2022 December 31, 2023, the total outstanding balance of residential mortgage loans the Corporation has repurchased as a result of identified instances of noncompliance amounted to $1,515,000. $1,335,000. If the volume of such forced repurchases of loans were to increase significantly, or if the Corporation were to be dropped from the programs, it could have a material adverse effect on the Corporation's financial condition, results of operations or liquidity.

Coronavirus Outbreak – The COVID-19 pandemic has caused significant disruptions in the international and U.S. economies as well as the Corporation's local economy.

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the coronavirus outbreak, and there is no guarantee that the Corporation's efforts to address any adverse impacts of the coronavirus will be effective. The extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of new variants of the coronavirus and actions taken to contain the coronavirus or its impact.

The effect of COVID-19 and related events, including those described above and those not yet known or knowable, could have a negative effect on the Corporation's business prospects, financial condition and results of operations, as a result of quarantines; market volatility; market downturns; changes in consumer behavior; business closures; deterioration in the credit quality of borrowers or the inability of borrowers to satisfy their obligations (and any related forbearances or restructurings that may be implemented); changes in the value of collateral securing outstanding loans; changes in the value of the investment securities portfolio; effects on key employees, including operational management personnel and those charged with preparing, monitoring and evaluating the Corporation's financial reporting and internal controls; and declines in the demand for loans and other banking services and products.

ITEM 1B. 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy-The Corporation's cybersecurity risk management program is designed to assess, identify, and manage material risks from cybersecurity threats and is an integral part of the overall risk management program. Cybersecurity risk includes exposure to failures or interruptions of service or security breaches resulting from malicious technological attacks that impact the confidentiality, integrity, or availability of our or third parties' operations, systems, or data. The Corporation assesses its cyber security procedures and controls on an on-going basis as safeguarding its systems and data is critical to its operations and business strategy.

The Corporation uses third-party vendors, including a managed security service provider, to assist in monitoring, detecting, and managing cyber threats. The Board of Directors has established risk management guidelines for third-party vendors. Further, the Corporation conducts due diligence reviews of third-party vendors before contracts or agreements for provision of services are signed and conducts ongoing due diligence and oversight procedures with the frequency of the procedures determined based on a risk assessment of the services provided. The Corporation generally has agreements in place with its service providers that include requirements related to cybersecurity and data privacy. Due diligence and oversight procedures may include, but are not limited to, reviews of financial information, internal control reports, business continuity and disaster recovery plans, and information security and cyber security policies and associated tests of effectiveness. The Corporation cannot guarantee, however, that such agreements, due diligence, and oversight procedures will prevent a cyber incident from impacting our systems or information. Additionally, the

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Corporation may not be able to obtain adequate or any reimbursement from its insurance coverage or from its service providers in the event it should suffer any such incidents. Due to applicable laws and regulations or contractual obligations, the Corporation may be held responsible for cyber incidents attributed to its service providers in relation to any data that the Corporation shares with them.

During 2023, the Corporation has not experienced a cybersecurity threat or incident that has materially affected or is reasonably likely to materially affect the Corporation, including its business strategy, results of consolidated operations or financial condition. Refer to the risk factor captioned "Cyber Security Risks and Technology Dependence" in Part I, Item 1A. "Risk Factors" for additional information.

Governance- The Board of Directors provides oversight of the risk management program and setting the Corporation's cyber risk profile, which includes risks from cybersecurity threats, enterprise cyber strategy, and key cyber initiatives. The Board has appointed a Risk Management Committee currently made up of five members of the Board with governance and oversight of the Corporation's enterprise-wide risk management program. The members of the Risk Management Committee collectively have years of business management and professional experience in the banking industry and other industries including exposure to cyber risk management considerations. The Board also meets with our internal and external auditors, and federal and state regulators to review and discuss reports on risk, examination, and regulatory compliance matters. In fulfilling its role, the Risk Management Committee is actively engaged with management regarding cyber security procedures and controls to manage and mitigate cybersecurity-related risks. Management provides at least quarterly information security reports to the Risk Management Committee who provides a report to the Board of its discussions and decisions. These reports to the Risk Management Committee address management's efforts to monitor, detect and prevent cyber threats. In addition, the Board of Directors is engaged, as needed, in accordance with the Incident Response Plan.

The Corporation has an information security program that is primarily managed by the Information Security Department, which is led by the Chief Risk Management Officer and the Director of Information Security and supported by the Information Technology Operations Department, which is led by the Chief Information Officer. The Information Security Department is led by the Director of Information Security, and is responsible for day-to-day management of the information security program including system monitoring, vulnerability scans, employee security training including phishing exercises, security controls, and building strong relationships with security vendors. The Chief Risk Management Officer, the Chief Information Officer, the Director of Information Security and the other members of the Information Security Department are qualified by years of experience, post-secondary education, industry certifications and regular continuing education. A network penetration test and vulnerability assessment are performed at a minimum annually by a third-party vendor. The Information Security Committee is the management committee responsible for the oversight of the Information Security Program and is also responsible for policy development and information security risk assessment. This committee meets at least quarterly to discuss and review the information security program. The Information Security Program is updated at least annually and the Board of Directors, with input from the Risk Management Committee, approves all material changes.

The Corporation has an Incident Response Plan that provides a documented guideline for handling potential threats and taking appropriate measures including timely notification and escalation to executive leadership and the Board of Directors. The Incident Response Plan is managed by the Incident Response Team which includes the Director of Information Security, Chief Risk Management Officer, Chief Information Officer, and other essential members of management. The Incident Response Plan is reviewed and tested at least annually.

ITEM 2. PROPERTIES

A summary of the Corporation’s operating properties is as follows:

	Number of Locations	Number of Owned Properties	Number of Leased Properties	Number of Locations	Number of Owned Properties	Number of Leased Properties
Branches	29	23	6	29	23	6
Branches closed in 2022	2	2	0			
Limited Purpose Office-Lending	1	1	0	1	1	0
Administrative/Multi-purpose	2	1	1	2	1	1
Ancillary Facilities	2	1	1	2	1	1
Total	36	28	8	34	26	8

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ITEM 3. LEGAL PROCEEDINGS

The Corporation and the Bank are involved in various legal proceedings incidental to their business. Management believes the aggregate liability, if any, resulting from such pending and threatened legal proceedings will not have a material adverse effect on the Corporation’s financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

QUARTERLY SHARE DATA

Trades of the Corporation's stock are executed through various brokers who maintain a market in the Corporation's stock. The Corporation's stock is listed on the NASDAQ Capital Market with the trading symbol CZNC. As of December 31, 2022 December 31, 2023, there were 2,086 2,036 shareholders of record of the Corporation's common stock.

The following table sets forth While the high and low sales prices Corporation has a history of the common stock and paying cash dividends, declared per quarter during 2022 and 2021.

	2022			2021		
	High	Low	Dividend Declared per Quarter	High	Low	Dividend Declared per Quarter
First quarter	$ 27.50	$ 23.82	$ 0.28	$ 24.99	$ 18.98	$ 0.27
Second quarter	25.20	23.21	0.28	25.69	23.00	0.28
Third quarter	25.77	23.29	0.28	25.97	23.73	0.28
Fourth quarter	25.20	22.67	0.28	27.99	24.52	0.28

Future future dividend payments will depend upon maintenance of a strong financial condition, future earnings and capital and regulatory requirements. Also, the Corporation and C&N Bank are subject to restrictions on the amount of dividends that may be paid without approval of banking regulatory authorities. These restrictions are described in Note 18 17 to the consolidated financial statements.

Effective February 18, 2021 On September 25, 2023, the Corporation amended its announced a new treasury stock repurchase program. Under the amended newly approved program, the Corporation is authorized to repurchase up to 1,000,000 750,000 shares of the Corporation's common stock, or 6.25% slightly less than 5% of the Corporation's issued

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and outstanding shares at February 18, 2021 August 4, 2023. As The new program was effective when publicly announced and will continue thereafter until suspended or terminated by the Board of December 31, 2022 Directors, in its sole discretion. All shares of common stock repurchased pursuant to the new program shall be held as treasury shares and be available for use and reissuance for purposes as and when determined by the Board of Directors including, without limitation, pursuant to the Corporation's Dividend Reinvestment and Stock Purchase Plans and its equity compensation program. Through December 31, 2023, 674,700 no shares have been were repurchased for a total cost of $16,587,000, at an average price of $24.58 per share under the repurchase new program. As permitted by securities laws and other legal requirements and subject to market conditions and other factors, purchases may be made from time to time in the open market at prevailing prices, or through privately negotiated transactions.

Consistent with the previously approved program, the Board of Directors' February 18, 2021 approval provides that: (1) the treasury stock repurchase program, as amended to increase the repurchase authorization to 1,000,000 shares, shall be effective when publicly announced and shall continue thereafter until suspended or terminated by the Board of Directors, in its sole discretion; and (2) all shares of common stock repurchased pursuant to the program shall be held as treasury shares and be available for use and reissuance for purposes as and when determined by the Board of Directors including, without limitation, pursuant to the Corporation's Dividend Reinvestment and Stock Purchase Plan and its equity compensation program.
The following table sets forth a summary of purchases by the Corporation, in the open market, of its equity securities during the fourth quarter 2022: 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs

October 1 - 31, 2022	0	$ N/A	674,700	325,300
November 1 - 30, 2022	0	$ N/A	674,700	325,300
December 1 - 31, 2022	0	$ N/A	674,700	325,300

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1 - 31, 2023	0	$ N/A	0	750,000
November 1 - 30, 2023	0	$ N/A	0	750,000
December 1 - 31, 2023	0	$ N/A	0	750,000

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PERFORMANCE GRAPH

Set forth below is a chart comparing the Corporation's cumulative return to stockholders against the cumulative return of the Russell 2000 Index and the Corporation's peer group indices index (the NASDAQ Bank Index and a Legacy Peer Group Index of similar banking organizations selected by the Corporation) Index) for the five-year period commencing December 31, 2017 December 31, 2018 and ended December 31, 2022 December 31, 2023. The NASDAQ Bank Index has been selected to replace the existing Peer Group Index of similar-size banking organizations selected by the Corporation in this Annual Report on Form 10-K. Management believes the NASDAQ Bank Index is a more stable peer group that will not require changes in composition from year-to-year as the Corporation's size and complexity of operations changes.

The index values are market-weighted dividend-reinvestment numbers, which measure the total return for investing $100.00 five years ago. This meets Securities & Exchange Commission requirements for showing dividend reinvestment share performance over a five-year period and measures the return to an investor for placing $100.00 into a group of bank stocks and reinvesting any and all dividends into the purchase of more of the same stock for which dividends were paid.

Graphic

Index	Period Ending						Period Ending					
	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Citizens & Northern Corporation	100.00	114.94	128.54	95.41	131.72	120.72	100.00	111.83	83.01	114.60	105.03	108.92
Russell 2000 Index	100.00	88.99	111.70	134.00	153.85	122.41	100.00	125.49	150.50	172.75	137.40	160.60
Peer Group (NASDAQ Bank Index)	100.00	83.83	104.26	96.44	137.82	115.38	100.00	124.38	115.04	164.41	137.65	132.92
Legacy Peer Group	100.00	91.23	108.46	87.78	118.96	118.90						

Legacy Peer Group includes all publicly traded SEC filing Commercial Banks & Thrifts within NJ, NY, OH, PA, MD, and WV with assets between 0.5 times and 2.0 times CZNC as of 9/30/2022.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information concerning the Citizens & Northern 2023 Equity Stock Incentive Plan and Independent Directors Stock Incentive Plan, both of which have been was approved by the Corporation's shareholders. shareholders in April 2023. The 646 shares issuable pursuant to stock options at December 31, 2023 were issued under a previous plan and expired in January 2024. The figures shown in the table below are as of December 31, 2022 December 31, 2023.

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-average Exercise Price of Outstanding Options	Number of Securities Remaining for Future Issuance Under Equity Compen-sation Plans	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-average Exercise Price of Outstanding Options	Number of Securities Remaining for Future Issuance Under Equity Compen-sation Plans
Equity compensation plans approved by shareholders	10,564	$ 20.45	139,648	646	$ 20.45	500,000
Equity compensation plans not approved by shareholders	0	N/A	0	0	N/A	0

More details related to the Corporation's equity compensation plans are provided in Notes 1 and 13 12 to the consolidated financial statements.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this section and elsewhere in this Annual Report on Form 10-K are forward-looking statements. Citizens & Northern Corporation and its wholly-owned subsidiaries (collectively, the Corporation) intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995. Forward-looking statements, which are not historical facts, are based on certain assumptions and describe future plans, business objectives and expectations, and are generally identifiable by the use of words such as, "should", "likely", "expect", "plan", "anticipate", "target", "forecast", and "goal". These forward-looking statements are subject to risks and uncertainties that are difficult to predict, may be beyond management's control and could cause results to differ materially from those expressed or implied by such forward-looking statements. Factors which could have a material, adverse impact on the operations and future prospects of the Corporation include, but are not limited to, 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
- recent adverse developments in the banking industry highlighted by high-profile bank failures and the potential impact of such developments on customer confidence, sources of liquidity and capital funding, and regulatory responses to these developments
- the Corporation's credit standards and its on-going credit assessment processes might not protect it from significant credit losses
- 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
- information security breach or other technology difficulties or failures
- changes in accounting principles, or the application of generally accepted accounting principles
- failure to achieve merger-related synergies and difficulties in integrating the business and operations of acquired institutions
- the effect fraud and cyber malfunction risks as usage of the novel coronavirus (COVID-19) and related events artificial intelligence continues to expand

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

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EARNINGS OVERVIEW

2023 vs. 2022

Net income for the year ended December 31, 2023 was $24,148,000, or $1.57 per diluted share, as compared to $26,618,000, or $1.71 per diluted share, for the year ended December 31, 2022. As described in more detail below, the results for 2023 included the impact of a $1.3 million charge, or $0.08 per diluted share, related to the repositioning of available-for-sale securities and BOLI investments. Significant variances were as follows:

- In December 2023**,** the Corporation repositioned its available-for-sale securities portfolio and its investments in bank-owned life insurance ("BOLI"). As a result of the repositioning, the Corporation recognized a net charge to earnings of approximately $1.3 million, or $0.08 per diluted share in the fourth quarter 2023 reflecting the net impact of: (1) a $3.0 million pre-tax loss and after-tax loss of $2.4 million from the sale of available-for-sale debt securities with an amortized cost basis of $45.5 million, (2) a tax charge of $950,000 from initiating the surrender of BOLI with a book value of $14.3 million, and (3) noninterest income of $2.1 million from a one-time enhancement on a $30 million purchase of new BOLI. Proceeds from the sale of securities were used in the $30 million purchase of BOLI as noted and in purchases totaling $13.7 million of debt securities in December 2023. Management expects to recover the fourth quarter 2023 loss in less than one year from reinvestment in assets with higher yields as compared to the yields on the assets sold or surrendered.

- For the year ended December 31, 2023, net interest income totaled $80,400,000, $2,728,000 lower than in 2022. The interest rate spread decreased 0.66%, as the average rate on interest-bearing liabilities was higher by 1.36% while the average yield on earning assets increased 0.70%. The net interest margin was 3.47% in 2023, down from 3.77% in 2022. Average total earning assets increased $101,418,000 in 2023 over 2022, including an increase in average loans receivable of $164,055,000, or 10.1%. Average interest-bearing deposits increased $27,528,000 while average total deposits decreased $8,486,000, or 0.4%, in 2023 as compared to 2022.

- For the year ended December 31, 2023, there was a provision for credit losses of $186,000, a decrease of $7,069,000 in expense compared to $7,255,000 in 2022. The provision for 2023 included expense related to loans receivable of $753,000 and a credit related to off-balance sheet exposures of $567,000. The expense related to loans receivable was mainly attributable to qualitative adjustments of the Corporation's historical loss experience in estimating the allowance for credit losses ("ACL") and the impact of an economic forecast, as well as a reduction in the Corporation's average net charge-off experience used in the calculation of the ACL. The ACL as a percentage of gross loans receivable was 1.04% at December 31, 2023 as compared to 1.08% at January 1, 2023 upon the initial adoption of CECL. For the year ended December 31, 2023, net charge-offs totaled $264,000 or 0.01% of gross loans receivable as compared to $4,177,000 or 0.26% of gross loans receivable in 2022.

- Noninterest income, excluding realized (losses) gains on available-for-sale debt securities, totaled $27,453,000 for the year ended December 31, 2023, up $3,041,000 from the comparable category for the year ended December 31, 2022. Significant variances included the following:

  - Increase in cash surrender value of life insurance of $2,703,000 increased $2,158,000 in 2023 from 2022 including $2,100,000 in income from a one-time enhancement on a $30 million purchase of new BOLI as previously discussed.

  - Other noninterest income of $4,610,000 increased $912,000 as dividends on FHLB-Pittsburgh stock totaled $1,138,000, an increase of $541,000. Additionally, in 2023, the Corporation recognized income of $156,000 from dividends on Federal Reserve Bank stock with no comparable amount in 2022 and income of $234,000, with no comparable amount in 2022, from a conversion assistance payment received related to a change in wealth management platform for providing brokerage and investment advisory services.

  - Service charges on deposit accounts of $5,567,000 increased $548,000 as the volume of consumer and business overdraft activity increased and included in 2022 was a reduction in income of $290,000 related to refunds of consumer overdraft fees as the result of updated regulatory guidance on certain overdraft fees.

  - Trust revenue of $7,413,000 increased $419,000 reflecting revenue from new business.

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  - Brokerage and insurance revenue of $1,675,000 decreased $616,000 due to a reduction in sales volume.

  - Loan servicing fees, net, of $602,000 decreased $358,000, as the fair value of servicing rights decreased $200,000 in 2023 as compared to an increase of $126,000 in 2022.

- Net losses on available-for-sale debt securities were $3,036,000 for the year ended December 31, 2023, compared to net gains on available-for-sale debt securities of $20,000 for the year ended December 31, 2022. The net losses on available-for-sale debt securities of $3,036,000 for the year ended December 31, 2023, were primarily from the sales in the fourth quarter related to the previously described repositioning of the portfolio.

- Noninterest expense totaled $74,148,000 for the year ended December 31, 2023, an increase of $6,193,000 from the total for the year ended December 31, 2022. Significant variances included the following:

  - Other noninterest expense of $11,233,000 increased $3,012,000. Within this category, significant variances included the following:

    - Other operational losses included net increase in expense of $854,000 to $505,000 in other losses in 2023 from a net reduction in expense of $349,000 in 2022. Included in 2023 is $427,000 related to a trust department tax compliance matter while most of the reduction in other losses in 2022 was from recoveries or reversals of previously recorded charges related to trust department tax compliance matters. Also included in other operational losses was $232,000 of expenses related to check fraud in 2023 with no comparable amount in 2022.
    - FDIC insurance expense increased $481,000, reflecting the impact of an increase in base deposit insurance assessment rate applicable to all banks.
    - Legal fees totaled $759,000 in 2023, an increase of $261,000, mainly due to fees incurred related to non-litigation-related corporate matters.
    - In 2023, the allowance for disallowed SBA claims decreased $90,000, resulting in a reduction in expense of the same amount, reflecting better than previously estimated claims experience. The comparable amount in 2022 was a reduction in expense of $367,000. At December 31, 2023, there was no remaining allowance for disallowed SBA claims.
    - Included in 2022 was a reduction of $172,000 in expense related to credit losses on off balance sheet exposures. In 2023, the net credit for credit losses related to off-balance sheet exposures of $211,000 is included in the provision for credit losses in the consolidated statements of income.

- Ø Salaries and employee benefits expense of $44,195,000 increased $2,362,000, including increases in base salaries expense of $1,713,000, or 6.0% and in estimated cash and stock-based incentive compensation expense of $670,000 consistent with comparisons in both years of the Corporation's earnings performance to that of defined peer groups.

- Ø Data processing and telecommunications expense of $7,582,000 increased $776,000, including the impact of increases in software licensing and maintenance costs as well as costs related to enhancements of data management capabilities.

- Ø Professional fees of $2,497,000 increased $492,000, including $389,000 of conversion costs related to a change in wealth management platform for providing brokerage and investment advisory services.

- Ø Pennsylvania shares tax expense of $1,602,000 in 2023 is lower by $354,000, consistent with a reduction in C&N Bank's equity that provides the base for determining the annual tax.

- The income tax provision of $6,335,000, or 20.8% of pre-tax income for the year ended December 31, 2023 increased $603,000 from $5,732,000, or 17.7% of pre-tax income for the year ended December 31, 2022. The higher effective rate in 2023 includes: (1) the tax charge of $950,000 for the initiated surrender of BOLI; (2) an increase in nondeductible interest expense; (3) the impact of the increase in trust department tax compliance-related penalties; and (4) the impact of the permanent difference related to stock-based compensation resulting in an increase in taxable income in 2023 as compared to a deduction in 2022 due to the reduction in CZNC stock price. Partially offsetting the higher effective rate in 2023 was the non-taxable income of $2,100,000 from a one-time enhancement on $30 million purchase of new BOLI.

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2022 vs. 2021

Net income for the year ended December 31, 2022 was $26,618,000, or $1.71 per diluted share as compared to 2021 net income of $30,554,000 or $1.92 per share. Significant variances were as follows:

- Net interest income of $83,128,000 in 2022 was up $5,189,000 over the 2021 total. The net interest margin increased to 3.77% in 2022 from 3.69% in 2021. The net interest spread increased 0.02%, as the average yield on earning assets increased 0.20% to 4.19% and the average rate on interest-bearing liabilities increased 0.18% to 0.62%. Interest income from available-for-sale debt securities, on a fully taxable-equivalent basis, increased $3,610,000 in 2022 as compared to 2021, as the average balance (at amortized cost) of available-for-sale debt securities increased $168.2 million. Total interest and fees on loans increased $4,289,000 in 2022 as compared to 2021. Interest and fees on loans included $1,852,000 in 2022 and $231,000 in 2021 from repayments received on purchased credit impaired loans in excess of previous carrying amounts. Total interest and fees from the Small Business Administration's Paycheck Protection Program ("PPP") loans were $958,000 in 2022, a decrease of $5,572,000 from the 2021 total of $6,530,000. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of $1,621,000 in 2022 as compared to a net positive impact of $2,659,000 in 2021. Average outstanding loans increased $31.3 million, despite a reduction in average PPP loans of $89.2 million. Average loans, excluding PPP loans, were up $120.6 million (8.0%) in 2022 as compared to 2021. Average total deposits increased $75.0 million (3.9%) in 2022 as compared to 2021.

- The provision for loan losses of $7,255,000 for 2022 was higher than the 2021 provision by $3,594,000. In 2022, the provision includes the impact of partial charge-offs totaling $3,942,000 on a commercial real estate secured participation loan to a borrower in the health care industry. In total, the provision for 2022 includes $3,890,000 related to specific loans (net charge-offs of $4,177,000 and net decrease in specific allowances on loans of $287,000), an increase of $3,036,000 in the collectively determined portion of the allowance and a $329,000 increase in the unallocated portion. In comparison, the provision for loan losses in 2021 includes $1,324,000 related to specific loans (net charge-offs of $1,509,000 and a decrease in specific allowances on loans of $185,000), an increase of $2,251,000 in the collectively determined portion of the allowance and an $86,000 increase in the unallocated portion.

- Noninterest income decreased $1,449,000, or 5.6% in 2022 from 2021. Significant variances include the following:

  - Ø Net gains from sales of loans of $757,000 decreased $2,671,000 reflecting a reduction in volume of residential mortgage loans sold.

  - Ø Trust revenue of $6,994,000 decreased $240,000 reflecting the impact of market value depreciation of assets under management.

  - Ø Brokerage and insurance revenue of $2,291,000 increased $431,000 due to commissions on higher transaction volumes for the year.

  - Ø Service charges on deposit accounts of $5,019,000 increased $386,000 as the volume of consumer and business overdraft and other activity increased partially offset by the impact of refunds resulting from updated regulatory guidance on certain consumer overdraft fees.

  - Ø Interchange revenue from debit card transactions of $4,148,000 increased $293,000, reflecting an increase in transaction volumes.

Ø Loan servicing fees, net of $960,000 increased $266,000, reflecting growth in volume of residential mortgage loans sold with servicing retained. Further, the fair value of servicing rights increased $126,000 in 2022 as compared to a decrease of $68,000 in 2021 mainly due to changes in assumptions related to prepayments of mortgage loans.

Ø Other noninterest income of $3,699,000 increased $119,000, including increases in income from interest rate swap fees on commercial loans of $268,000, credit card interchange income of $107,000 and dividend income from Federal Home Loan

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Bank stock of $83,000. Offsetting decreases include a $147,000 reduction in income from title agencies and an increase in unrealized fair value depreciation on a marketable equity security of $83,000.

- Noninterest expense increased $5,483,000, or 8.8% in 2022 over 2021. Significant variances included the following:

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Ø Salaries and employee benefits of $41,833,000 increased $4,230,000, including an increase in base salaries expense of $3.8 million reflecting merit-based salary increases and an increase in number of personnel related to expansion of the Southcentral PA market with the opening of an office in Lancaster. Additional increases include an increase in health care expense of $658,000 due to higher claims on the Corporation's partially self-insured plan, $327,000 related to savings, retirement and pension plan contribution expenses, $249,000 related to payroll taxes and $131,000 due to a lower portion of payroll costs capitalized (added to the carrying value of loans) due to the higher volume of PPP loans originated in 2021. Decreases include a reduction in estimated cash and stock-based incentive compensation expense of $822,000 consistent with a comparison of the Corporation's earnings performance to that of defined peer groups and a reduction in severance expense of $232,000 $232,000.

Ø Data processing and telecommunications of $6,806,000 increased $903,000, including the impact of increases in software licensing and maintenance costs as well as costs related to enhancements of data management capabilities.

Ø Net occupancy and equipment expense of $5,533,000 increased $549,000, including accelerated depreciation expense of $329,000 related to the closure of two branches in November 2022.

Ø Automated teller machine and interchange expense increased $168,000 reflecting increased volume of activity.

Ø Professional fees of $1,601,000 decreased $238,000, mainly due to decreases in recruiting services and PPP loan processing-related professional fees.

Ø Other noninterest expense totaled $8,221,000, a decrease of $134,000 from 2021. Within this category, significant variances included the following:

  - There was a net reduction in other operational losses of $348,000 in 2022 as compared to expense of $199,000 in 2021. In 2022, there was a reduction in expense resulting from abatement of Trust Department tax compliance penalties for which expense was recorded in 2020 and a favorable outcome on appeal of a Trust Department state tax reporting matter for which expense was also recorded in 2020.
  - There was a reduction in expense related to credit losses on off balance sheet exposures related to residential mortgage loans sold of $172,000 in 2022 as compared to a provision for credit losses of $135,000 in 2021.
  - The allowance for SBA claim adjustments decreased, reflecting more favorable claim results than previously estimated, resulting in a reduction in expense of $367,000 in 2022 as compared to a reduction in expense of $236,000 in 2021.
  - Travel and entertainment expenses totaled $457,000 in 2022, an increase of $236,000 over 2021, as the volume of travel and related costs for meetings with customers and internal meetings increased.

- The income tax provision of $5,732,000, or 17.7% of pre-tax income for the year ended December 31, 2022, decreased $1,401,000 from $7,133,000, or 18.9% of pre-tax income for the year ended December 31, 2021. The lower provision in 2022 includes the impact of a reduction in pre-tax income. The lower effective tax rate in 2022 includes the impact of higher tax-exempt interest as a percentage of pre-tax income, a larger permanent difference (deduction) related to restricted stock compensation and the benefit of a $340,000 reduction in expense from the reversal of tax penalties being non-deductible.

2021 vs. 2020

Net income for the year ended December 31, 2021 was $30,554,000, or $1.92 per diluted share as compared to 2020 net income of $19,222,000 or $1.30 per share. Effective July 1, 2020, the Corporation acquired Covenant Financial, Inc. ("Covenant"). In 2020, the Corporation incurred pre-tax merger-related expenses related to the Covenant transaction of $7.7 million. In the fourth quarter 2020, the Corporation incurred a pre-tax loss of $1.6 million on prepayment of long-term borrowings (Federal Home Loan Bank of Pittsburgh advances) with outstanding balances totaling $48.0 million. The borrowings included several advances maturing in 2022 through 2024 with a weighted-average interest rate of 1.77% and a weighted-average duration of 2.3 years. Excluding the impact of merger-related expenses and loss on prepayment of borrowings, adjusted (non-U.S. GAAP) earnings for 2020 would be $26,648,000 or $1.80 per share.

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The following table provides a reconciliation of the Corporation's 2021 and 2020 earnings results under U.S. generally accepted accounting principles (U.S. GAAP) to comparative non-U.S. GAAP results excluding merger-related expenses and loss on prepayment of borrowings. Management believes disclosure of 2021 and 2020 earnings results, adjusted to exclude the impact of these items, provides useful information to investors for comparative purposes.

RECONCILIATION OF NET INCOME AND DILUTED EARNINGS PER SHARE TO NON-U.S. GAAP MEASURE

(Dollars In Thousands, Except Per Share Data)

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share	Income Before Income Tax Provision	Income Tax Provision	Net Income	Diluted Earnings per Common Share
Earnings Under U.S. GAAP	$ 37,687	$ 7,133	$ 30,554	$ 1.92	$ 23,212	$ 3,990	$ 19,222	$ 1.30
Add: Merger-Related Expenses (1)	0	0	0		7,708	1,574	6,134	
Add: Loss on Prepayment of Borrowings (1)	0	0	0		1,636	344	1,292	
Adjusted Earnings (Non-U.S. GAAP)	$ 37,687	$ 7,133	$ 30,554	$ 1.92	$ 32,556	$ 5,908	$ 26,648	$ 1.80

(1) Income tax has been allocated based on a marginal income tax rate of 21%. The effect on the income tax provision is adjusted for the estimated nondeductible portion of the expenses.

Other significant variances were as follows:

- Net interest income was up $10,374,000 (15.4%) in 2021 over 2020, reflecting growth mainly attributable to the Covenant acquisition that closed July 1, 2020. In 2021, annual average outstanding loans totaled $1.597 billion, an increase of $151.7 million over 2020, annual average interest-bearing cash and due from banks of $156.2 million were up $75.6 million, annual average available-for-sale debt securities of $390.2 million were up $61.7 million, and annual average total deposits of $1.905 billion were up $319.0 million, while annual average borrowed funds were lower by $42.4 million. The net interest margin was 3.69% for 2021, unchanged from 2020. The average yield on earning assets in 2021 was down 0.22% from 2020, while the average rate on interest-bearing liabilities was down 0.28% between periods. Accretion and amortization of purchase accounting adjustments had a net positive impact on net interest income of $2,659,000 for 2021 as compared to a net positive impact of $3,272,000 for 2020.

- The provision for loan losses of $3,661,000 for 2021 was lower than the 2020 provision by $252,000. In 2021, the provision included the impact of partial charge-offs totaling $1,463,000 on a commercial loan. In total, the provision for 2021 included a net charge of $1,324,000 related to specific loans (net charge-offs of $1,509,000 offset by a net decrease in specific allowances on loans of $185,000), an increase of $2,251,000 in the collectively determined potion of the allowance and an $86,000 increase in the unallocated allowance. In comparison, the 2020 provision of $3,913,000 included the impact of a charge-off of $2,219,000 on one commercial loan.

- Noninterest income increased $1,513,000, or 6.2% in 2021 over 2020. Significant variances include the following:

- Ø Trust revenue totaled $7,234,000 in 2021, an increase of $913,000 over 2020, reflecting the impact of growth in average trust assets under management including the impact of market value appreciation.

- Ø Interchange revenue from debit card transactions totaled $3,855,000, an increase of $761,000 over 2020, reflecting an increase in transaction volumes.

- Ø Loan servicing fees, net, totaled $694,000, an increase of $755,000 over the 2020 total of negative $61,000 (a decrease in revenue). The net increase reflects growth in volume of residential mortgage loans sold with servicing retained. Further, the fair value of servicing rights decreased $68,000 in 2021 as compared to a reduction in fair value of $576,000 in 2020 mainly due to changes in assumptions related to prepayments of mortgage loans.

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- Ø Service charges on deposit accounts totaled $4,633,000, an increase of $402,000 over 2020, as consumer and business activity increased.

- Ø Brokerage and insurance revenue totaled $1,860,000, an increase of $374,000 over 2020, due to commissions on higher transaction volume.

- Ø Other noninterest income totaled $3,580,000, an increase of $225,000 over 2020. Within this category, significant variances included the following:

  - Income from realization of tax credits of $772,000 was $268,000 higher in 2021 as compared to 2020 due to higher PA Educational Improvement Tax Credit Program donations.
  - Credit card interchange income of $434,000 increased $144,000 due to higher transaction volume.
  - Fee income for providing credit enhancement on mortgage loans sold of $348,000 increased $122,000.
  - Other noninterest income decreased $272,000 as the Corporation recognized income of $279,000 in 2020 from a life insurance arrangement in which benefits were split between the Corporation and heirs of a former employee.
  - Dividend income from Federal Home Loan Bank stock of $514,000 decreased $140,000.

- Ø Net gains from sales of loans totaled $3,428,000, a decrease of $1,975,000 from 2020, reflecting a decrease in volume of mortgage loans sold, resulting mainly from lower refinancing activity and overall market conditions.

- Noninterest expense increased $6,863,000, or 12.3% in 2021 over 2020, excluding merger-related expenses and loss on prepayment of borrowings. Significant variances included the following:

  - Ø Salaries and employee benefits expense totaled $37,603,000, an increase of $4,541,000 over 2020, reflecting the inclusion of the former Covenant operations for twelve months in 2021 as compared to six months in 2020, as well as increases in lending, human resources, information technology and other personnel needed to accommodate growth, and increases in health care expense due to higher claims on the Corporation's partially self-insured plan.

  - Ø Data processing and telecommunications expenses totaled $5,903,000, an increase of $587,000 over 2020, including the impact of growth related to the Covenant acquisition, increased costs from outsourced support services and other increases in software licensing and maintenance costs.

  - Ø Professional fees expense totaled $2,243,000, an increase of $551,000 over 2020, mainly due to increases in recruiting services and PPP loan processing professional fees.

  - Ø Net occupancy and equipment expense totaled $4,984,000, an increase of $523,000, primarily reflecting an increase due to the Covenant acquisition.

  - Ø Pennsylvania shares tax expense totaled $1,951,000, an increase of $262,000, reflecting the increase in in C&N Bank's stockholder's equity.

  - Ø Automated teller machine and interchange expense totaled $1,433,000, an increase of $202,000, reflecting increased volume of activity.

  - Ø Other noninterest expense totaled $8,355,000, an increase of $197,000 over 2020. Within this category, significant variances included the following:

    - FDIC insurance expense of $581,000 increased $258,000.
    - Business development expenses of $452,000 increased $220,000, due primarily to an increase in public relations expense.
    - Donations expense of $847,000 increased $208,000, mainly due to an increase in donations associated with the Pennsylvania Educational Improvement Tax Credit program.

- Other increases include legal fees and expenses of $83,000, bank insurance of $56,000, accounting and auditing expense of $51,000, and credit card reward redemption expense of $50,000.

- Other operational losses of $199,000 decreased $405,000, including a reduction in charges principally related to Trust Department tax compliance and preparation matters.
- Gains on other real estate properties totaled $100,000 in 2021 as compared to net losses of $146,000 in 2020.
- The allowance for SBA claim adjustments decreased, reflecting more favorable claim results than previously estimated, resulting in a reduction in expense of $236,000 in 2021 as compared to a reduction in expense of $70,000 in 2020.

- The income tax provision was $7,133,000 for the year ended December 31, 2021, up from $3,990,000 for the year ended December 31, 2020. Pre-tax income was $14,475,000 higher in 2021 as compared to 2020. The effective tax rate was 18.9% for 2021, higher than the 17.2% effective tax rate for 2020. The tax benefit of tax-exempt interest income was 2.4% of pre-tax income in 2021 as compared to a 3.5% benefit in 2020.

More detailed information concerning the Corporation's earnings results are provided in other sections of Management's Discussion and Analysis.

ACQUISITION OF COVENANT FINANCIAL, INC.

The Corporation's acquisition of Covenant was completed July 1, 2020. Covenant was the parent company of Covenant Bank, which operated banking offices in Bucks and Chester Counties of Pennsylvania. Pursuant to the transaction, Covenant merged with and into the Corporation and Covenant Bank merged with and into C&N Bank. Total purchase consideration was $63.3 million, including common stock with a fair value of $41.6 million and cash of $21.7 million. The acquisition of Covenant followed the acquisition of Monument Bancorp, Inc. ("Monument") on April 1, 2019. Monument was the parent company of Monument Bank, with banking and lending offices in Bucks County, Pennsylvania. The total transaction value of the Monument acquisition was $42.7 million.

In connection with the Covenant acquisition, effective July 1, 2020, the Corporation recorded goodwill of $24.1 million and a core deposit intangible asset of $3.1 million. Assets acquired included loans valued at $464.2 million, cash and due from banks of $97.8 million, bank-owned life insurance valued at $11.2 million and securities valued at $10.8 million. Liabilities assumed included deposits valued at $481.8 million, borrowings valued at $64.0 million and subordinated debt valued at $10.1 million. The assets purchased and liabilities assumed in the acquisition were recorded at their preliminary estimated fair values at the time of closing subject to adjustment for up to one year subsequent to the acquisition. There were no adjustments to the fair values of assets acquired and liabilities assumed in the Covenant acquisition subsequent to December 31, 2020.

CRITICAL ACCOUNTING POLICIES

The presentation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect many of the reported amounts and disclosures. Actual results could differ from these estimates.

Allowance for Loan Credit Losses on Loans – A material estimate that is particularly susceptible to significant change is the determination of the allowance for loan losses. credit losses (ACL) on loans. The Corporation maintains an allowance for loan losses that ACL on loans which represents management's estimate of expected net charge-offs over the losses inherent in the loan portfolio as life of the balance sheet date loans. The ACL includes two primary components: (i) an allowance established on loans which share similar risk characteristics collectively evaluated for credit losses (collective basis), and recorded as a reduction (ii) an allowance established on loans which do not share similar risk characteristics with any loan segment and which are individually evaluated for credit losses

(individual basis). Management considers the determination of the investment in loans. Management believes ACL on loans to be critical because it requires significant judgment regarding estimates of expected credit losses based on the allowance for loan losses Corporation's historical loss experience, current conditions and economic forecasts. Management's evaluation is adequate and reasonable. based upon a continuous review of the Corporation's loans, with consideration given to evaluations resulting from examinations performed by regulatory authorities. Notes 1 and 8 7 to the consolidated financial statements provide an overview of the process management uses for evaluating and determining the allowance for loan losses, ACL, and additional discussion of the allowance for loan losses ACL is provided in a separate section later in of Management's Discussion and Analysis. Given the very subjective nature of identifying and valuing loan losses, it is likely that well-informed individuals could make materially different assumptions, and could, therefore calculate a materially different allowance value. While management uses available information

The ACL may increase or decrease due to recognize losses on loans, changes in economic conditions may necessitate revisions affecting borrowers and macroeconomic variables, including new information regarding existing problem loans, identification of additional problem loans, changes in the fair value of underlying collateral, unforeseen events such as natural disasters and pandemics, and other factors. Because current economic conditions and forecasts can change and future years. In addition, various regulatory agencies, as an integral part events are inherently difficult to predict, the anticipated amount of their examination process, periodically review the Corporation's allowance for loan losses. Such agencies may require the Corporation to recognize adjustments to the allowance based on their judgments of information available to them at the time of their examination.

As described more fully in Note 2 to the consolidated financial statements, effective January 1, 2023, the Corporation is adopting Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses (Topic 326), as modified by subsequent ASUs, the required change in accounting for estimated credit losses on loans, receivable from an incurred loss methodology to an expected credit loss methodology commonly referred to as "CECL." Upon adoption and therefore the appropriateness of CECL, the allowance for credit losses will be based on the Corporation's historical loan loss experience, borrower characteristics, forecasts of future economic conditions and other relevant

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factors. The Corporation will also apply qualitative factors to account for information that may not be reflected in quantitatively derived results or other relevant factors to ensure the allowance reflects management's best estimate of current expected credit losses.

Fair Value of Available-For-Sale Debt Securities – Another material estimate is the calculation of fair values of the Corporation's debt securities. For most of the Corporation's debt securities, the Corporation receives estimated fair values of debt securities from an independent valuation service, or from brokers. In developing fair values, the valuation service and the brokers use estimates of cash flows, based on historical performance of similar instruments in similar interest rate environments. Based on experience, management is aware that estimated fair values of debt securities tend to vary among brokers and other valuation services.

NET INTEREST INCOME

The Corporation's primary source of operating income is net interest income, which is equal to the difference between the amounts of interest income and interest expense. Tables I, II and III include information regarding the Corporation's net interest income in 2023, 2022 2021 and 2020. 2021. In each of these tables, the amounts of interest income earned on tax-exempt securities and loans have been adjusted to a fully taxable-equivalent basis. The Corporation believes presentation of net interest income on a fully taxable-equivalent basis provides investors with meaningful information for purposes of comparing returns on tax-exempt securities and loans with returns on taxable securities and loans. Accordingly, the net interest income amounts reflected in these tables exceed the amounts presented in the consolidated financial statements. The discussion that follows is based on amounts in the tables.

2023 vs. 2022

Fully taxable equivalent net interest income was $81,319,000 in 2023, $3,035,000 (3.6%) lower than in 2022. The decrease in net interest income reflected an increase in interest expense of $23,585,000 (includes $17,595,000 interest on deposits and $5,990,000 in interest on borrowings) and an increase of $20,550,000 in total interest income as compared to 2022. As presented in Table II, the Net Interest Margin was 3.47% in 2023, as compared to 3.77% in 2022, and the "Interest Rate Spread" (excess of average rate of return on earning assets over average cost of funds on interest-bearing liabilities) decreased to 2.91% in 2023 from 3.57% in 2022. The average yield on earning assets of 4.89% was 0.70% higher in 2023 as compared to 2022, while the average rate on interest bearing liabilities of 1.98% was 1.36% higher in 2023 as compared to 2022. Table III shows the net impact of changes in volume of earning assets and interest-bearing liabilities increased net interest income for 2023 over 2022 by $2,679,000, while the net impact of changes in interest rates (primarily increases) decreased net interest income by $5,714,000.

Income from purchase accounting-related adjustments in 2023 had a positive effect on net interest income of $697,000, including an increase in income on loans of $623,000 and a net reduction in interest expense on time deposits and borrowed funds totaling $74,000. The positive impact of purchase accounting-related adjustments to the net interest margin was 0.03% in 2023. In comparison, the net positive impact of purchase accounting-related adjustments was $1,621,000, with a positive impact on the net interest margin of 0.07% in 2022.

INTEREST INCOME AND EARNING ASSETS

Interest income totaled $114,423,000 in 2023, an increase of $20,550,000, or 21.9%, from 2022.

Interest and fees from loans receivable increased $20,540,000 in 2023 as compared to 2022. In 2023, the fully taxable equivalent yield on loans was 5.67%, up from 4.98% in 2022, reflecting the effects of rising interest rates on the loan portfolio. Average outstanding loans receivable increased $164,055,000 (10.1%) to $1,792,149,000 in 2023 from $1,628,094,000 in 2022. The Corporation has

experienced growth in outstanding commercial real estate and residential mortgage loans over the last three quarters of 2022 and in 2023.

Income from interest-bearing due from banks totaled $1,379,000 in 2023, an increase of $734,000 from the total for 2022. The average yield on interest-bearing due from banks was 4.22% in 2023 and 1.25% in 2022. The average balance of interest-bearing due from banks was $32,709,000 in 2023 as compared to $51,407,000 in 2022. The average balance of interest-bearing due from banks fell to 1.4% of average earning assets in 2023 from 2.3% in 2022 as excess funds were invested primarily in loans. Within this category, the largest asset balance in 2023 and 2022 has been interest-bearing deposits held with the Federal Reserve.

Interest income from available-for-sale debt securities, on a fully taxable-equivalent basis, decreased $711,000 in 2023 as compared to 2022, as the average balance (at amortized cost) of available-for-sale debt securities decreased $43.0 million as indicated in Table II. The average yield on available-for-sale debt securities was 2.21% for 2023, up from 2.16% in 2022.

INTEREST EXPENSE AND INTEREST-BEARING LIABILITIES

Interest expense increased $23,585,000 to $33,104,000 in 2023 from $9,519,000 in 2022.

Interest expense on deposits increased $17,595,000, as the average rate on interest-bearing deposits increased to 1.66% in 2023 from 0.46% in 2022 reflecting the impact of increases in market rates in 2023. Average total deposits (interest-bearing and noninterest-bearing) amounted to $1,971,926,000 for 2023, down $8,486,000 (0.4%) from $1,980,412,000 in 2022. Within average deposits, average brokered deposits were $47,424,000 at an average rate of 4.78% for 2023 as compared to $33,458,000 at an average rate of 1.71% in 2022. The deposit mix changed significantly in 2023. Average time deposits increased $96,224,000 and average interest checking deposits increased $45,654,000, while the average total balance of money market accounts decreased $95,954,000, the average balance of noninterest bearing demand deposits decreased $36,014,000 and average savings deposits decreased $18,396,000.

Interest expense on short-term borrowings in 2023 was $2,811,000 as compared to $429,000 in 2022 as the average balance of short-term borrowings increased to $62,926,000 in 2023 from $21,766,000 in 2022. The average rate on short-term borrowings was 5.15% in 2023 compared to 1.97% in 2022.

Interest expense on long-term borrowings (FHLB advances) increased $3,334,000 to $4,230,000 in 2023 from $896,000 in 2022. The average balance of long-term borrowings was $110,943,000 in 2023, up from an average balance of $40,194,000 in 2022. Borrowings are classified as long-term within the Tables based on their term at origination or assumption in business combinations. The average rate on long-term borrowings was 3.81% in 2023 compared to 2.23% in 2022.

Interest expense on senior notes issued in May 2021 totaled $479,000 in 2023 as compared to $477,000 in 2022. The average rate on senior notes was 3.24% in 2023 and in 2022.

Interest expense on subordinated debt decreased $157,000 to $922,000 in 2023 from $1,079,000 in 2022. The average balance of subordinated debt decreased to $24,662,000 in 2023 from $27,116,000 in 2022 and the average rate on subordinated debt decreased to 3.74% in 2023 from 3.98% in 2022 reflecting the repayment of subordinated debt assumed in an acquisition of $8,500,000 in the second quarter 2022.

2022 vs. 2021

Fully taxable equivalent net interest income was $84,354,000 in 2022, $5,280,000 (6.7%) higher than in 2021. Interest income was $8,237,000 higher in 2022 as compared to 2021; interest expense was higher by $2,957,000 in comparing the same periods. As presented in Table II, the Net Interest Margin was 3.77% in 2022, as compared to 3.69% in 2021, and the “Interest Rate Spread” (excess of average rate of return on earning assets over average cost of funds on interest-bearing liabilities) increased slightly to 3.57% in 2022 from 3.55% in 2021. The average yield on earning assets of 4.19% was 0.20% higher in 2022 as compared to 2021, and the average rate on interest bearing liabilities of 0.62% was 0.18% higher in 2022 as compared to 2021. Table III shows that, in the aggregate, rising interest rates in 2022 had a positive impact on net interest income as the portion of the increase attributable to changes in rate was $4,976,000.

Income from purchase accounting-related adjustments in 2022 had a positive effect on net interest income of $1,621,000, including an increase in income on loans of $1,216,000 and a net reduction in interest expense on time deposits and borrowed funds totaling $405,000.

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The positive impact of purchase accounting-related adjustments to the net interest margin was 0.07% in 2022. In comparison, the net positive impact of purchase accounting-related adjustments was $2,659,000, with a positive impact on the net interest margin of 0.13% in 2021.

INTEREST INCOME AND EARNING ASSETS

Interest income totaled $93,873,000 in 2022, an increase of $8,237,000, or 9.6% from 2021.

Interest income from available-for-sale debt securities, on a fully taxable-equivalent basis, increased $3,610,000 in 2022 as compared to 2021, as the average balance (at amortized cost) of available-for-sale debt securities increased $168.2 million as indicated in Table II. The average yield on available-for-sale debt securities was 2.16% for 2022, down slightly from 2.17% in 2021.

Interest and fees from loans receivable increased $4,289,000 in 2022 as compared to 2021. Total interest and fees from loans excluding PPP loans increased $9,861,000 in 2022 as compared to 2021. Interest and fees on PPP loans totaled $958,000 in 2022, a decrease of $5,572,000 from 2021, as previously deferred fees were recognized in income upon the SBA’s repayment of loans based on forgiveness of the underlying borrowers. In 2022, total interest and fees on loans included $1,852,000 from repayments received on purchased credit impaired loans in excess of previous carrying amounts as compared to income from similar repayments of $231,000 in 2021.

Average outstanding loans receivable increased $31,338,000 (2.0%) to $1,628,094,000 in 2022 from $1,596,756,000 in 2021, despite a reduction in average PPP loans of $89,246,000. Average total loans outstanding, excluding PPP loans, increased $120,584,000 (8.0%).

The fully taxable equivalent yield on loans in 2022 was 4.98% compared to 4.81% in 2021. The average yield on loans included the positive impact of the income on PCI loans in 2022. The comparatively high yield on PPP loans provided a benefit to the margin in both

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periods through though the higher volume resulted in a larger benefit in 2021. Excluding PPP loans and income from excess repayments on purchased credit impaired loans, the adjusted yield on loans was 4.83% in 2022, up from the similarly adjusted yield of 4.67% in 2021.

Income from interest-bearing due from banks totaled $645,000 in 2022, an increase of $327,000 from the total for 2021. The average yield on interest-bearing due from banks was 1.25% in 2022 and 0.20% in 2021. The average balance of interest-bearing due from banks was $51,407,000 in 2022 as compared to $156,152,000 in 2021. The average balance of interest-bearing due from banks fell to 2.3% of average earning assets in 2022 from 7.3% in 2021 as excess funds were invested in securities and loans. Within this category, the largest asset balance in 2022 and 2021 has been interest-bearing deposits held with the Federal Reserve.

INTEREST EXPENSE AND INTEREST-BEARING LIABILITIES

Interest expense increased $2,957,000, or 45.1%, to $9,519,000 in 2022 from $6,562,000 in 2021. Interest expense on deposits increased $2,100,000. Table II shows the average rate on interest-bearing deposits increased to 0.46% in 2022 from 0.33% in 2021 reflecting the impact of increases in market rates in 2022.

Average total deposits (interest-bearing and noninterest-bearing) increased $75,012,000 (3.9%) to $1,980,412,000 in 2022 from $1,905,400 in 2021. Average time deposits decreased $42,552,000, while the average total balance of other categories increased $117,564,000, or 7.5%. The increase in average deposits includes included the impact of growth in commercial deposits, reflecting higher average balances maintained and new business.

Interest expense on short-term borrowings in 2022 was $429,000 as compared to $23,000 in 2021. The average balance of short-term borrowings increased to $21,766,000 in 2022 from $6,269,000 in 2021. The average rate on short-term borrowings was 1.97% in 2022 compared to 0.37% in 2021.

Interest expense on long-term borrowings (FHLB advances) increased $497,000 to $896,000 in 2022 from $399,000 in 2021. The average balance of long-term borrowings was $40,194,000 in 2022, down from an average balance of $44,026,000 in 2021. Borrowings are classified as long-term within the Tables based on their term at origination or assumption in business combinations. The average rate on long-term borrowings was 2.23% in 2022 compared to 0.91% in 2021.

Interest expense on senior notes issued in May 2021 totaled $477,000 in 2022 as compared to $293,000 in 2021. The average balance of the senior notes increased to $14,733,000 in 2022 from $9,129,000 in 2021. The average rate on senior notes was 3.24% in 2022 and 3.21% in 2021.

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Interest expense on subordinated debt decreased $230,000 to $1,079,000 in 2022 from $1,309,000 in 2021. The average balance of subordinated debt decreased slightly to $27,116,000 in 2022 from $27,399,000 in 2021. The average rate on subordinated debt decreased to 3.98% in 2022 from 4.78% in 2021 including the net impact of a new issue of subordinated debt of $24,437,000, net, at an effective rate of 3.74% in May 2021 and the redemption of subordinated notes totaling $8,000,000 in the second quarter 2021 and $8,500,000 in the second quarter 2022.

2021 vs. 2020

Fully taxable equivalent net interest income was $79,074,000 in 2021, $10,529,000 (15.4%) higher than in 2020. Interest income was $7,496,000 higher in 2021 as compared to 2020; interest expense was lower by $3,033,000 in comparing the same periods. As presented in Table II, the Net Interest Margin was 3.69% in 2021, unchanged from 2020, and the “Interest Rate Spread” (excess of average rate of return on earning assets over average cost of funds on interest-bearing liabilities) increased to 3.55% in 2021 from 3.49% in 2020. The overall increase in net interest income resulted mainly from the acquisition of Covenant in the third quarter 2020 and income from the PPP loan program.

Income from purchase accounting adjustments in 2021 had a positive effect on net interest income in 2021 of $2,659,000, including an increase in income on loans of $1,289,000 and net reductions in interest expense on time deposits and borrowed funds totaling $1,370,000. In comparison, the net positive impact on net interest income of purchase accounting adjustments was $3,272,000 in 2020. The net positive impact to the net interest margin from purchase accounting adjustments was 0.13% in 2021 and 0.18% in 2020.

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INTEREST INCOME AND EARNING ASSETS

Interest income totaled $85,636,000 in 2021, an increase of 9.6% from 2020. Interest and fees on loans receivable increased $7,175,000, or 10.3%, to $76,781,000 in 2021 from $69,606,000 in 2020. Interest and fees on PPP loans totaled $6,530,000 in 2021, an increase of $3,606,000 over the total in 2020.

Table III shows the increase in interest on loans including $8,016,000 attributable to an increase in volume and a decrease of $841,000 related to a decrease in average yield.

The average balance of loans receivable increased $151,658,000 (10.5%) to $1,596,756,000 in 2021 from $1,445,098,000 in 2020. The increase in average loans outstanding includes the effect of loans acquired from Covenant, effective July 1, 2020.

The fully taxable equivalent yield on loans in 2021 was 4.81% compared to 4.82% in 2020. In 2021, rates on variable rate loans and rates on most new loan originations decreased, and prepayments of loans increased, consistent with falling market interest rates throughout most of 2020 and 2021. Further, yields on loans acquired from Covenant on July 1, 2020 were recorded at then-current market yields, which were lower than the Corporation's average portfolio yield before the acquisition. The overall yield on loans in 2021 included a benefit from the acceleration of fees recognized on PPP loans as repayments have been received from the SBA. As shown in Table II, in 2021, the average balance of 1st Draw PPP loans was $44,735,000 with an average yield of 7.77% and the average balance of 2nd Draw PPP loans was $52,917,000 with an average yield of 5.77%.

Interest income on available-for-sale debt securities totaled $8,471,000 in 2021, an increase of $268,000 from the total for 2020. As indicated in Table II, average available-for-sale debt securities (at amortized cost) totaled $390,163,000 in 2021, an increase of $61,718,000 (18.8%) from 2020. The average yield on available-for-sale debt securities decreased to 2.17% in 2021 from 2.50% in 2020, reflecting acceleration of calls and prepayments of amortizing securities and purchases of lower-yielding securities at recent, lower market rates.

Interest income from interest-bearing deposits in banks totaled $318,000 in 2021, an increase of $67,000 from the total for 2020. The most significant categories of assets within this category include interest-bearing balances held with the Federal Reserve and investments in certificates of deposit issued by other banks. The average balance increased $75,565,000, as increases in deposits and funds from loan repayments outpaced uses of funds for loan originations, purchases of securities and repayments of borrowings. The average balance of interest-bearing due from banks was 7.3% of average earning assets in 2021 as compared to 4.3% in 2020. The average yield on interest-bearing due from banks fell to 0.20% in 2021 from 0.31% in 2020, due to a decrease in market rates.

INTEREST EXPENSE AND INTEREST-BEARING LIABILITIES

Interest expense decreased $3,033,000, or 31.6%, to $6,562,000 in 2021 from $9,595,000 in 2020. Table II shows that the overall cost of funds on interest-bearing liabilities decreased to 0.44% in 2021 from 0.72% in 2020.

Total average deposit balances (interest-bearing and noninterest-bearing) increased $318,991,000 to $1,905,400,000 in 2021 from $1,586,409,000 in 2020. The increase in average deposits includes the impact of the Covenant acquisition. The average rate on interest-bearing deposits decreased to 0.33% in 2021 from 0.60% in 2020. The decrease in average rate on deposits includes a decrease of 0.54% on time deposits. The average balance of time deposits fell to 17.2% of average total deposits in 2021 from 25.1% in 2020, further contributing to the reduction in average rate on deposits.

Interest expense on short-term borrowings decreased $344,000 to $23,000 in 2021 from $367,000 in 2020. The average balance of short-term borrowings decreased to $6,269,000 in 2021 from $34,212,000 in 2020. The average rate on short-term borrowings decreased to 0.37% in 2021 from 1.07% in 2020.

Interest expense on long-term borrowings (FHLB advances) decreased $892,000 to $399,000 in 2021 from $1,291,000 in 2020. The average balance of long-term borrowings was $44,026,000 in 2021, down from an average balance of $83,500,000 in 2020. The average rate on long-term borrowings was 0.91% in 2021 compared to 1.55% in 2020. The reduction in both average balance and rate reflects the prepayment of borrowings of $48,036,000 in December 2020.

Interest expense on senior notes issued in May 2021 totaled $293,000 in 2021. The average balance of the senior notes was $9,129,000 in 2021 with an average rate of 3.21%.

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Interest expense on subordinated debt increased $603,000 to $1,309,000 in 2021 from $706,000 in 2020. The average balance of subordinated debt increased to $27,399,000 in 2021 from $11,553,000 in 2020 reflecting the net impact of subordinated debt agreements assumed in the Covenant transaction of $10,091,000 in July 2020, the new issue of subordinated debt of $24,437,000, net, in May 2021 and the redemption of subordinated notes totaling $8,000,000 in June 2021. The average rate on subordinated debt decreased to 4.78% in 2021 from 6.11% in 2020. 2002.

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TABLE I - ANALYSIS OF INTEREST INCOME AND EXPENSE

(In Thousands)	Year Ended December 31, 2022	2021	2020	Increase/(Decrease) 2022/2021	2021/2020	Year Ended December 31, 2023	2022	2021	Increase/(Decrease) 2023/2022	2022/2021
INTEREST INCOME										
Interest-bearing due from banks	$ 645	$ 318	$ 251	$ 327	$ 67	$ 1,379	$ 645	$ 318	$ 734	$ 327
Available-for-sale debt securities:										
Taxable	8,360	5,114	5,534	3,246	(420)	8,555	8,360	5,114	195	3,246
Tax-exempt	3,721	3,357	2,669	364	688	2,815	3,721	3,357	(906)	364
Total available-for-sale debt securities	12,081	8,471	8,203	3,610	268	11,370	12,081	8,471	(711)	3,610
Loans receivable:										
Taxable	77,641	68,019	64,460	9,622	3,559	98,843	77,641	68,019	21,202	9,622
Paycheck Protection Program - 1st Draw	54	3,476	2,924	(3,422)	552					
Paycheck Protection Program - 2nd Draw	904	3,054	0	(2,150)	3,054					
Paycheck Protection Program						11	54	3,476	(43)	(3,422)
Tax-exempt	2,471	2,232	2,222	239	10	2,756	2,471	2,232	285	239
Total loans receivable	81,070	76,781	69,606	4,289	7,175	101,610	81,070	76,781	20,540	4,289
Other earning assets	77	66	80	11	(14)	64	77	66	(13)	11
Total Interest Income	93,873	85,636	78,140	8,237	7,496	114,423	93,873	85,636	20,550	8,237
INTEREST EXPENSE										
Interest-bearing deposits:										
Interest checking	1,833	897	948	936	(51)	7,668	1,833	897	5,835	936
Money market	2,088	1,156	1,172	932	(16)	5,686	2,088	1,156	3,598	932
Savings	257	231	230	26	1	243	257	231	(14)	26
Time deposits	2,460	2,254	4,881	206	(2,627)	10,636	2,460	2,254	8,176	206
Total interest-bearing deposits	6,638	4,538	7,231	2,100	(2,693)	24,233	6,638	4,538	17,595	2,100
Borrowed funds:										
Short-term	429	23	367	406	(344)	3,240	429	23	2,811	406
Long-term - FHLB advances	896	399	1,291	497	(892)	4,230	896	399	3,334	497
Senior notes, net	477	293	0	184	293	479	477	293	2	184
Subordinated debt, net	1,079	1,309	706	(230)	603	922	1,079	1,309	(157)	(230)
Total borrowed funds	2,881	2,024	2,364	857	(340)	8,871	2,881	2,024	5,990	857
Total Interest Expense	9,519	6,562	9,595	2,957	(3,033)	33,104	9,519	6,562	23,585	2,957
Net Interest Income	$ 84,354	$ 79,074	$ 68,545	$ 5,280	$ 10,529	$ 81,319	$84,354	$79,074	$ (3,035)	$ 5,280

(1) Interest income from tax-exempt securities and loans has been adjusted to a fully taxable-equivalent basis (a non-GAAP measure), using the Corporation's marginal federal income tax rate of 21%.

(2) Fees on loans are included with interest on loans and amounted to $1,856,000 in 2023, $2,958,000 in 2022 and $7,958,000 in 2021 and $4,314,000 in 2020. 2021.

(3) The table that follows is a reconciliation of net interest income under U.S. GAAP as compared to net interest income as adjusted to a fully taxable-equivalent basis.

(In Thousands)	Year Ended December 31,	Increase/(Decrease)	Year Ended December 31,	Increase/(Decrease)

	2022	2021	2020	2022/2021	2021/2020	2023	2022	2021	2023/2022	2022/2021
Net Interest Income Under U.S. GAAP	$ 83,128	$ 77,939	$ 67,565	$ 5,189	$ 10,374	$80,400	$83,128	$77,939	$(2,728)	$ 5,189
Add: fully taxable-equivalent interest income adjustment from tax-exempt securities	720	673	525	47	148	388	720	673	(332)	47
Add: fully taxable-equivalent interest income adjustment from tax-exempt loans	506	462	455	44	7	531	506	462	25	44
Net Interest Income as adjusted to a fully taxable-equivalent basis	$ 84,354	$ 79,074	$ 68,545	$ 5,280	$ 10,529	$81,319	$84,354	$79,074	$(3,035)	$ 5,280

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TABLE II - ANALYSIS OF AVERAGE DAILY BALANCES AND RATES

(Dollars In Thousands)	Year Ended 12/31/2022 Average Balance	Rate of Return/ Cost of Funds%	Year Ended 12/31/2021 Average Balance	Rate of Return/ Cost of Funds%	Year Ended 12/31/2020 Average Balance	Rate of Return/ Cost of Funds%	Year Ended 12/31/2023 Average Balance	Rate of Return/ Cost of Funds%	Year Ended 12/31/2022 Average Balance	Rate of Return/ Cost of Funds%	Year Ended 12/31/2021 Average Balance	Rate of Return/ Cost of Funds%
EARNING ASSETS												
Interest-bearing due from banks	$ 51,407	1.25 %	$ 156,152	0.20 %	$ 80,587	0.31 %	$ 32,709	4.22 %	$ 51,407	1.25 %	$ 156,152	0.20 %
Available-for-sale debt securities, at amortized cost:												
Taxable	410,033	2.04 %	262,880	1.95 %	238,407	2.32 %	389,456	2.20 %	410,033	2.04 %	262,880	1.95 %
Tax-exempt	148,344	2.51 %	127,283	2.64 %	90,038	2.96 %	125,920	2.24 %	148,344	2.51 %	127,283	2.64 %
Total available-for-sale debt securities	558,377	2.16 %	390,163	2.17 %	328,445	2.50 %	515,376	2.21 %	558,377	2.16 %	390,163	2.17 %
Loans receivable:												
Taxable	1,533,417	5.06 %	1,426,150	4.77 %	1,285,383	5.01 %	1,703,697	5.80 %	1,533,417	5.06 %	1,426,150	4.77 %
Paycheck Protection Program - 1st Draw	447	12.08 %	44,735	7.77 %	98,466	2.97 %						
Paycheck Protection Program - 2nd Draw	7,959	11.36 %	52,917	5.77 %	0	0.00 %						
Paycheck Protection Program							142	7.75 %	8,406	11.40 %	97,652	6.69 %
Tax-exempt	86,271	2.86 %	72,954	3.06 %	61,249	3.63 %	88,310	3.12 %	86,271	2.86 %	72,954	3.06 %
Total loans receivable	1,628,094	4.98 %	1,596,756	4.81 %	1,445,098	4.82 %	1,792,149	5.67 %	1,628,094	4.98 %	1,596,756	4.81 %
Other earning assets	2,321	3.32 %	2,404	2.75 %	2,357	3.39 %	1,383	4.63 %	2,321	3.32 %	2,404	2.75 %
Total Earning Assets	2,240,199	4.19 %	2,145,475	3.99 %	1,856,487	4.21 %	2,341,617	4.89 %	2,240,199	4.19 %	2,145,475	3.99 %
Cash	22,685		24,132		25,439		22,108		22,685		24,132	
Unrealized (loss) gain on securities	(38,784)		10,676		12,487		(63,118)		(38,784)		10,676	
Allowance for loan losses	(14,962)		(12,354)		(11,018)							
Allowance for credit losses							(18,498)		(14,962)		(12,354)	
Bank-owned life insurance	30,925		30,373		24,415		31,808		30,925		30,373	
Bank premises and equipment	21,559		20,814		19,826		21,330		21,559		20,814	
Intangible assets	55,599		56,086		43,330		55,176		55,599		56,086	

Other assets	55,567		44,032		38,859		72,433		55,567		44,032	
Total Assets	$ 2,372,788		$ 2,319,234		$ 2,009,825		$2,462,856		$2,372,788		$2,319,234	
INTEREST-BEARING LIABILITIES												
Interest-bearing deposits:												
Interest checking	$ 443,107	0.41 %	$ 399,130	0.22 %	$ 310,782	0.31 %	$ 488,761	1.57 %	$ 443,107	0.41 %	$ 399,130	0.22 %
Money market	443,084	0.47 %	433,508	0.27 %	298,736	0.39 %	347,130	1.64 %	443,084	0.47 %	433,508	0.27 %
Savings	257,156	0.10 %	228,411	0.10 %	189,316	0.12 %	238,760	0.10 %	257,156	0.10 %	228,411	0.10 %
Time deposits	285,264	0.86 %	327,816	0.69 %	397,974	1.23 %	381,488	2.79 %	285,264	0.86 %	327,816	0.69 %
Total interest-bearing deposits	1,428,611	0.46 %	1,388,865	0.33 %	1,196,808	0.60 %	1,456,139	1.66 %	1,428,611	0.46 %	1,388,865	0.33 %
Borrowed funds:												
Short-term	21,766	1.97 %	6,269	0.37 %	34,212	1.07 %	62,926	5.15 %	21,766	1.97 %	6,269	0.37 %
Long-term - FHLB advances	40,194	2.23 %	44,026	0.91 %	83,500	1.55 %	110,943	3.81 %	40,194	2.23 %	44,026	0.91 %
Senior notes, net	14,733	3.24 %	9,129	3.21 %	0	0.00 %	14,798	3.24 %	14,733	3.24 %	9,129	3.21 %
Subordinated debt, net	27,116	3.98 %	27,399	4.78 %	11,553	6.11 %	24,662	3.74 %	27,116	3.98 %	27,399	4.78 %
Total borrowed funds	103,809	2.78 %	86,823	2.33 %	129,265	1.83 %	213,329	4.16 %	103,809	2.78 %	86,823	2.33 %
Total Interest-bearing Liabilities.	1,532,420	0.62 %	1,475,688	0.44 %	1,326,073	0.72 %	1,669,468	1.98 %	1,532,420	0.62 %	1,475,688	0.44 %
Demand deposits	551,801		516,535		389,601		515,787		551,801		516,535	
Other liabilities	23,474		25,785		20,800		29,107		23,474		25,785	
Total Liabilities	2,107,695		2,018,008		1,736,474		2,214,362		2,107,695		2,018,008	
Stockholders' equity, excluding accumulated other comprehensive (loss) income	295,447		292,683		263,253		297,894		295,447		292,683	
Accumulated other comprehensive (loss) income	(30,354)		8,543		10,098		(49,400)		(30,354)		8,543	
Total Stockholders' Equity	265,093		301,226		273,351		248,494		265,093		301,226	
Total Liabilities and Stockholders' Equity	$ 2,372,788		$ 2,319,234		$ 2,009,825		$2,462,856		$2,372,788		$2,319,234	
Interest Rate Spread		3.57 %		3.55 %		3.49 %		2.91 %		3.57 %		3.55 %
Net Interest Income/Earning Assets		3.77 %		3.69 %		3.69 %		3.47 %		3.77 %		3.69 %
Total Deposits (Interest-bearing and Demand)	$ 1,980,412		$ 1,905,400		$ 1,586,409		$1,971,926		$1,980,412		$1,905,400	

(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 21%.

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

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TABLE III - ANALYSIS OF VOLUME AND RATE CHANGES

(In Thousands)	Year Ended 12/31/2022 vs. 12/31/2021			Year Ended 12/31/2021 vs. 12/31/2020			Year Ended 12/31/2023 vs. 12/31/2022			Year Ended 12/31/2022 vs. 12/31/2021		
	Change in Volume	Change in Rate	Total Change	Change in Volume	Change in Rate	Total Change	Change in Volume	Change in Rate	Total Change	Change in Volume	Change in Rate	Total Change
EARNING ASSETS												
Interest-bearing due from banks	$ (339)	$ 666	$ 327	$ 176	$ (109)	$ 67	$ (309)	$ 1,043	$ 734	$ (339)	$ 666	$ 327
Available-for-sale debt securities:												
Taxable	2,989	257	3,246	532	(952)	(420)	(433)	628	195	2,989	257	3,246
Tax-exempt	534	(170)	364	1,008	(320)	688	(527)	(379)	(906)	534	(170)	364
Total available-for-sale debt securities	3,523	87	3,610	1,540	(1,272)	268	(960)	249	(711)	3,523	87	3,610
Loans receivable:												
Taxable	5,289	4,333	9,622	6,821	(3,262)	3,559	9,165	12,037	21,202	5,289	4,333	9,622
Paycheck Protection Program - 1st Draw	(4,664)	1,242	(3,422)	(2,247)	2,799	552						
Paycheck Protection Program - 2nd Draw	(3,769)	1,619	(2,150)	3,054	0	3,054						
Paycheck Protection Program							(714)	(233)	(947)	(4,664)	1,242	(3,422)
Tax-exempt	388	(149)	239	388	(378)	10	59	226	285	388	(149)	239
Total loans receivable	(2,756)	7,045	4,289	8,016	(841)	7,175	8,510	12,030	20,540	(2,756)	7,045	4,289
Other earning assets	(2)	13	11	2	(16)	(14)	(37)	24	(13)	(2)	13	11
Total Interest Income	426	7,811	8,237	9,734	(2,238)	7,496	7,204	13,346	20,550	426	7,811	8,237
INTEREST-BEARING LIABILITIES												
Interest-bearing deposits:												
Interest checking	109	827	936	233	(284)	(51)	208	5,627	5,835	109	827	936
Money market	27	905	932	430	(446)	(16)	(542)	4,140	3,598	27	905	932
Savings	29	(3)	26	43	(42)	1	(14)	0	(14)	29	(3)	26
Time deposits	(318)	524	206	(752)	(1,875)	(2,627)	1,073	7,103	8,176	(318)	524	206
Total interest-bearing deposits	(153)	2,253	2,100	(46)	(2,647)	(2,693)	725	16,870	17,595	(153)	2,253	2,100
Borrowed funds:												
Short-term	146	260	406	(191)	(153)	(344)	1,517	1,294	2,811	146	260	406
Long-term - FHLB advances	(38)	535	497	(476)	(416)	(892)	2,375	959	3,334	(38)	535	497
Senior notes, net	181	3	184	293	0	293	2	0	2	181	3	184
Subordinated debt, net	(14)	(216)	(230)	786	(183)	603	(94)	(63)	(157)	(14)	(216)	(230)
Total borrowed funds	275	582	857	412	(752)	(340)	3,800	2,190	5,990	275	582	857
Total Interest Expense	122	2,835	2,957	366	(3,399)	(3,033)	4,525	19,060	23,585	122	2,835	2,957
Net Interest Income	$ 304	$ 4,976	$ 5,280	$ 9,368	$ 1,161	$ 10,529	$ 2,679	$ (5,714)	$ (3,035)	$ 304	$ 4,976	$ 5,280

(1) Changes in income on tax-exempt securities and loans are presented on a fully taxable-equivalent basis, using the Corporation's marginal federal income tax rate of 21%.

(2) The change in interest due to both volume and rates has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

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NONINTEREST INCOME

TABLE IV - COMPARISON OF NONINTEREST INCOME

(Dollars in Thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change	Year Ended December 31, 2023	Year Ended December 31, 2022	$ Change	% Change
Trust revenue	$ 6,994	$ 7,234	$ (240)	(3.3)%	$ 7,413	$ 6,994	$ 419	6.0 %
Brokerage and insurance revenue	2,291	1,860	431	23.2 %	1,675	2,291	(616)	(26.9)%
Service charges on deposit accounts	5,019	4,633	386	8.3 %	5,567	5,019	548	10.9 %
Interchange revenue from debit card transactions	4,148	3,855	293	7.6 %	4,160	4,148	12	0.3 %
Net gains from sales of loans	757	3,428	(2,671)	(77.9)%	723	757	(34)	(4.5)%
Loan servicing fees, net	960	694	266	38.3 %	602	960	(358)	(37.3)%
Increase in cash surrender value of life insurance	545	573	(28)	(4.9)%	2,703	545	2,158	396.0 %
Other noninterest income	3,698	3,580	118	3.3 %	4,610	3,698	912	24.7 %
Realized gains on available-for-sale debt securities, net	20	24	(4)	(16.7)%				
Realized (losses) gains on available-for-sale debt securities, net					(3,036)	20	(3,056)	N/M %
Total noninterest income	$ 24,432	$ 25,881	$ (1,449)	(5.6)%	$24,417	$24,432	$ (15)	(0.1)%

(Dollars in Thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020	$ Change	% Change	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change
Trust revenue	$ 7,234	$ 6,321	$ 913	14.4 %	$ 6,994	$ 7,234	$ (240)	(3.3)%
Brokerage and insurance revenue	1,860	1,486	374	25.2 %	2,291	1,860	431	23.2 %
Service charges on deposit accounts	4,633	4,231	402	9.5 %	5,019	4,633	386	8.3 %
Interchange revenue from debit card transactions	3,855	3,094	761	24.6 %	4,148	3,855	293	7.6 %
Net gains from sales of loans	3,428	5,403	(1,975)	(36.6)%	757	3,428	(2,671)	(77.9)%
Loan servicing fees, net	694	(61)	755	N/M	960	694	266	38.3
Increase in cash surrender value of life insurance	573	515	58	11.3 %	545	573	(28)	(4.9)%
Other noninterest income	3,580	3,355	225	6.7 %	3,698	3,580	118	3.3 %
Realized gains on available-for-sale debt securities, net	24	169	(145)	(85.8)%	20	24	(4)	(16.7)%
Total noninterest income	$ 25,881	$ 24,513	$ 1,368	5.6 %	$24,432	$25,881	$(1,449)	(5.6)%

NONINTEREST EXPENSE

TABLE V - COMPARISON OF NONINTEREST EXPENSE

(Dollars in Thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change	Year Ended December 31, 2023	Year Ended December 31, 2022	$ Change	% Change
Salaries and employee benefits	$ 41,833	$ 37,603	$ 4,230	11.2 %	$44,195	$41,833	$2,362	5.6 %
Net occupancy and equipment expense	5,533	4,984	549	11.0 %	5,357	5,533	(176)	(3.2)%
Data processing and telecommunications expense	6,806	5,903	903	15.3 %	7,582	6,806	776	11.4 %
Automated teller machine and interchange expense	1,601	1,433	168	11.7 %	1,682	1,601	81	5.1 %
Pennsylvania shares tax	1,956	1,951	5	0.3 %	1,602	1,956	(354)	(18.1)%
Professional fees	2,005	2,243	(238)	(10.6)%	2,497	2,005	492	24.5 %
Other noninterest expense	8,221	8,355	(134)	(1.6)%	11,233	8,221	3,012	36.6 %
Total noninterest expense	$ 67,955	$ 62,472	$ 5,483	8.8 %	$74,148	$67,955	$6,193	9.1 %

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(Dollars in Thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020	$ Change	% Change	Year Ended December 31, 2022	Year Ended December 31, 2021	$ Change	% Change
Salaries and employee benefits	$ 37,603	$ 33,062	$ 4,541	13.7 %	$41,833	$37,603	$4,230	11.2 %
Net occupancy and equipment expense	4,984	4,461	523	11.7 %	5,533	4,984	549	11.0 %
Data processing and telecommunications expense	5,903	5,316	587	11.0 %	6,806	5,903	903	15.3 %
Automated teller machine and interchange expense	1,433	1,231	202	16.4 %	1,601	1,433	168	11.7 %
Pennsylvania shares tax	1,951	1,689	262	15.5 %	1,956	1,951	5	0.3 %
Professional fees	2,243	1,692	551	32.6 %	2,005	2,243	(238)	(10.6)%
Other noninterest expense	8,355	8,158	197	2.4 %	8,221	8,355	(134)	(1.6)%
Total noninterest expense, excluding merger-related expenses and loss on prepayment of borrowings	62,472	55,609	6,863	12.3 %				
Merger-related expenses	0	7,708	(7,708)	(100.0)%				
Loss on prepayment of borrowings	0	1,636	(1,636)	(100.0)%				
Total noninterest expense	$ 62,472	$ 64,953	$ (2,481)	(3.8)%	$67,955	$62,472	$5,483	8.8 %

Additional detailed information concerning fluctuations in the Corporation's earnings results and other financial information are provided in other sections of Management's Discussion and Analysis.

INCOME TAXES

The effective income tax rate was 17.7% 20.8% of pre-tax income in 2023, up from 17.7% in 2022 down from and 18.9% in 2021 2021. The higher effective income tax rate in 2023 as compared to 2022 includes: (1) a tax charge of $950,000 for the initiated surrender of BOLI; (2) an increase in nondeductible interest expense; (3) an increase in non-deductible trust department tax compliance-related penalties; and up (4) a permanent difference related to stock-based compensation resulting in an increase in taxable income in 2023 as compared to a deduction in 2022 due to the reduction in CZNC stock price. Partially offsetting the higher effective rate in 2023 was the non-taxable income of $2,100,000 from 17.2% in 2020. a one-time enhancement on $30 million purchase of new BOLI. The Corporation's effective tax rates differed from the federal statutory rate of 21% mainly because of the effects of tax-exempt interest income. income for 2022 and 2021. The lower effective income tax rate in 2022 as compared to 2021 includes the impact of higher tax-exempt interest as a percentage of pre-tax income, a larger permanent difference (deduction) related to restricted stock compensation and the benefit of a $340,000 reduction in expense from the reversal of tax penalties being non-deductible. The higher effective income tax rate in 2021 as compared to 2020 resulted mainly from a reduction an increase in the proportion of tax-exempt interest income to total pre-tax income.

The Corporation recognizes deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. At December 31, 2022 December 31, 2023, the net deferred tax asset was $20,884,000, up $17,441,000, down from the balance at December 31, 2021 December 31, 2022 of $5,887,000. $20,884,000. The most significant change in temporary difference components was an increase a decrease of $14,669,000 $3,056,000 in the net deferred tax asset related to the unrealized loss on available-for-sale debt securities, resulting from increases consistent with a decrease in interest rates.

The Corporation regularly reviews deferred tax assets for recoverability based on history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. Realization of deferred tax assets ultimately depends on the existence of sufficient taxable income, including taxable income in prior carryback years, as well as future taxable income. Further, the value of the benefit from realization of deferred tax assets would be impacted if income tax rates were changed from currently enacted levels.

Management believes the recorded net deferred tax asset at December 31, 2022 December 31, 2023 is fully realizable; however, if management determines the Corporation will be unable to realize all or part of the net deferred tax asset, the Corporation would adjust the deferred tax asset, which would negatively impact earnings.

Additional information related to income taxes is presented in Note 14 13 to the consolidated financial statements.

SECURITIES

Management continually evaluates several objectives in determining the size, securities mix and other characteristics of the available-for-sale debt securities (investment) portfolio. Key objectives include supporting liquidity needs, maximizing return on earning assets within reasonable risk parameters and providing a means to hedge the Corporation's overall asset-sensitive interest rate risk exposure, while maintaining high credit quality.

Table VI shows the composition of the available-for-sale debt securities portfolio at December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021. The total amortized cost of available-for-sale debt securities increased $50,202,000 decreased $96,826,000 to $464,968,000 at December 31, 2023 from $561,794,000 at December 31, 2022 from $511,592,000 at December 31, 2021. The increase decrease in 2022 2023 followed an increase of $177,040,000 $50,202,000 at December 31, 2021 December 31, 2022 as compared to December 31, December 31, 2021. The decrease in the amortized cost basis of the securities portfolio at December 31, 2023 resulted from maturities and proceeds

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2020. The from sales which included the sale of available-for-sale debt securities with an amortized cost basis of $45.5 million as part of the repositioning of its available-for-sale securities portfolio in December 2023. In 2022, the increase in the amortized cost basis of the securities portfolio resulted from management's decision to invest excess funds available from the mainly due to growth in deposits and net loan repayments throughout most of 2020, 2021 and the first quarter 2022. deposits.

At December 31, 2022 December 31, 2023, the largest categories of securities held as a percentage of total amortized cost, were as follows: (1) tax-exempt and taxable municipal bonds, 38.2% 37.0%; (2) residential mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies, including pass-through securities and collateralized mortgage obligations, 28.1% 33.5%; and (3) commercial mortgage-backed securities issued or guaranteed by U.S. Government sponsored agencies, 16.3% 16.4%.

The composition of the available-for-sale debt securities portfolio at December 31, 2022 December 31, 2023, December 31, 2021 December 31, 2022 and December 31, 2020 December 31, 2021 is as follows:

TABLE VI - INVESTMENT SECURITIES

	2022		2021		2020		2023		2022		2021	
(In Thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE DEBT SECURITIES:												
Obligations of the U.S. Treasury	$ 35,166	$ 31,836	$ 25,058	$ 24,912	$ 12,184	$ 12,182	$ 12,325	$ 11,290	$ 35,166	$ 31,836	$ 25,058	$ 24,912
Obligations of U.S. Government agencies	25,938	23,430	23,936	24,091	25,349	26,344	11,119	9,946	25,938	23,430	23,936	24,091
Bank holding company debt securities	28,945	25,386	18,000	17,987	0	0	28,952	23,500	28,945	25,386	18,000	17,987
Obligations of states and political subdivisions:												
Tax-exempt	146,149	132,623	143,427	148,028	116,427	122,401	113,464	104,199	146,149	132,623	143,427	148,028
Taxable	68,488	56,812	72,182	72,765	45,230	47,452	58,720	50,111	68,488	56,812	72,182	72,765

Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:												
Residential pass-through securities	112,782	99,941	98,048	98,181	36,853	38,176	105,549	95,405	112,782	99,941	98,048	98,181
Residential collateralized mortgage obligations	44,868	40,296	44,015	44,247	56,048	57,467	50,212	46,462	44,868	40,296	44,015	44,247
Commercial mortgage-backed securities	91,388	79,686	86,926	87,468	42,461	45,310	76,412	66,682	91,388	79,686	86,926	87,468
Private label commercial mortgage-backed securities	8,070	8,023	0	0	0	0	8,215	8,160	8,070	8,023	0	0
Total Available-for-Sale Debt Securities	$ 561,794	$ 498,033	$ 511,592	$ 517,679	$ 334,552	$ 349,332	$464,968	$415,755	$561,794	$498,033	$511,592	$517,679
Aggregate Unrealized (Loss) Gain		$ (63,761)		$ 6,087		$ 14,780		$ (49,213)		$ (63,761)		$ 6,087
Aggregate Unrealized (Loss) Gain as a % of Amortized Cost		(11.3)%		1.2 %		4.4 %		(10.6)%		(11.3)%		1.2 %
Market Yield on 5-Year U.S. Treasury Obligations (a)		3.99 %		1.26 %		0.36 %		3.84 %		3.99 %		1.26 %

(a) Source: Treasury.gov (Daily Treasury Par Yield Curve Rates)

As reflected in the table above, the fair value of available-for-sale securities as of December 31, 2022 was lower than the amortized cost basis by $49,213,000, or 10.6% at December 31, 2023 and $63,761,000 or 11.3%. In comparison, at December 31, 2022 while the aggregate unrealized gain position was $6,087,000 (1.2%) at December 31, 2021 and $14,780,000 (4.4%) at December 31, 2020. The unrealized decrease volatility in the fair value of the portfolio, including the significant reduction in 2022 and in 2021 fair value, resulted from an increase changes in interest rates. As shown above, the market yield on the 5-year U.S. Treasury Note was 2.73% higher 0.15% lower at December 31, 2022 December 31, 2023 in comparison to December 31, 2021 December 31, 2022, and 3.63% 2.58% higher than at December 31, 2020 December 31, 2021.

Management reviewed the Corporation's holdings as of December 31, 2022 and concluded there were no credit-related declines in fair value and that the unrealized losses on all of the securities in an unrealized loss position are considered temporary. In assessing whether there were other-than-temporary impairment losses, management considered (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value, and (4) whether the Corporation intends to sell the security or if it is more likely than not that the Corporation will be required to sell the security before the recovery of its amortized cost basis.

Additional information regarding the potential impact of interest rate changes on all of the Corporation's financial instruments is provided in Item 7A, Quantitative and Qualitative Disclosures about Market Risk.

As described in Note 6 to the consolidated financial statements, management determined the Corporation does not have the intent to sell, nor is it more likely than not that it will be required to sell, available-for-sale debt securities in an unrealized loss position at December 31, 2023 before it is able to recover the amortized cost basis. Further, management reviewed the Corporation's holdings as of December 31, 2023 and concluded there were no credit-related declines in fair value. Additional information related to the types of securities held at December 31, 2023, other than securities issued or guaranteed by U.S. Government entities or agencies, is as follows:

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- Bank holding company debt securities – All of the Corporation's holdings of bank holding company debt securities were investment grade and there have been no payment defaults. There were seven securities with face amounts ranging from $3 million to $5 million, including one senior security and six subordinated securities. All of the issuers have publicly traded common stock. At December 31, 2023, the securities have external ratings ranging from BBB-/Baa3 to A-.
- Obligations of states and political subdivisions (municipal bonds) – All of the Corporation's holdings of municipal bonds were investment grade and there have been no payment defaults. Summary ratings information at December 31, 2023, based on the amortized cost basis and reflecting the lowest enhanced or underlying rating by Moody's, Standard & Poors or Fitch, is as follows: AAA or pre-refunded – 21% of the portfolio; AA – 72%; A – 7%.
- Private label commercial mortgage-backed securities (PLCMBS) – There were two PLCMBS securities, both of which were from the most senior payment (subordination) classes of their respective issuances. These securities were investment grade (rated Aaa), and there have been no payment defaults on these securities.

Based on the results of management's assessment, there was no ACL required on available-for-sale debt securities in an unrealized loss position at December 31, 2023.

The following table presents the contractual maturities and the weighted-average yields (calculated based on amortized cost) of investment securities as of December 31, 2022 December 31, 2023. Yields on tax-exempt securities are presented on a fully taxable-equivalent basis. For callable securities, yields on securities purchased at a discount are based on yield-to-maturity, while yields on securities purchased at a premium are based on yield to the first call date. Yields on mortgage-backed securities are estimated and include the effects of prepayment assumptions. Actual maturities may differ from contractual maturities because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars In Thousands)	Within One Year	Yield	One-Five Years	Yield	Five-Ten Years	Yield	After Ten Years	Yield	Total	Yield	Within One Year	Yield	One-Five Years	Yield	Five-Ten Years	Yield	After Ten Years	Yield	T
AVAILABLE-FOR-SALE DEBT SECURITIES:																			
Obligations of the U.S. Treasury	$ 1,249	1.30 %	$24,852	1.23 %	$ 9,065	1.42 %	$ 0	0.00 %	$ 35,166	1.28 %	$ 4,238	1.13 %	$ 3,075	1.20 %	$ 5,012	1.51 %	$ 0	0.00 %	$ 1
Obligations of U.S. Government agencies	3,753	0.83 %	7,499	0.65 %	7,501	2.06 %	7,185	3.88 %	25,938	1.98 %	0	0.00 %	0	0.00 %	7,412	2.54 %	3,707	3.45 %	1

Bank holding company debt securities	0	0.00 %	0	0.00 %	28,945	3.47 %	0	0.00 %	28,945	3.47 %	0	0.00 %	0	0.00 %	28,952	3.47 %	0	0.00 %	28
Obligations of states and political subdivisions:																				
Tax-exempt	5,063	3.11 %	23,983	2.66 %	28,441	2.85 %	88,662	2.40 %	146,149	2.55 %	1,684	2.07 %	14,899	2.40 %	23,065	2.73 %	73,816	2.29 %	113
Taxable	3,502	2.61 %	18,649	1.74 %	15,071	2.03 %	31,266	2.47 %	68,488	2.18 %	7,278	1.42 %	9,977	2.13 %	12,805	2.25 %	28,660	2.43 %	58
Sub-total	$13,567	2.18 %	$74,983	1.75 %	$89,023	2.70 %	$127,113	2.50 %	$304,686	2.36 %	$13,200	1.41 %	$27,951	2.17 %	$77,246	2.83 %	$106,183	2.37 %	$224
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:																				
Residential pass-through securities									112,782	1.89 %									105
Residential collateralized mortgage obligations									44,868	2.18 %									50
Commercial mortgage-backed securities									91,388	2.09 %									70
Private label commercial mortgage-backed securities									8,070	5.51 %									8
Total									$561,794	2.17 %									$464

The Corporation's mortgage-backed securities and collateralized mortgage obligations have stated maturities that may differ from actual maturities due to borrowers' ability to prepay obligations. Cash flows from such investments are dependent upon the performance of the underlying mortgage loans and are generally influenced by the level of interest rates. As rates increase, cash flows generally decrease as prepayments on the underlying mortgage loans decrease. As rates decrease, cash flows generally increase as prepayments increase due to increased refinance activity and other factors. In the table above, the entire balances and weighted-average rates for mortgage-backed securities and collateralized mortgage obligations are shown in one period.

FINANCIAL CONDITION

This section includes information regarding the Corporation's lending activities or other significant changes or exposures that are not otherwise addressed in Management's Discussion and Analysis. Significant changes in the average balances of the Corporation's earning

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assets and interest-bearing liabilities are described in the Net Interest Income section of Management's Discussion and Analysis. Other significant balance sheet items, including securities, the allowance for loan credit losses for loans and stockholders' equity, are discussed in separate sections of Management's Discussion and Analysis. There are no significant concerns that have arisen related to the Corporation's off-balance sheet loan commitments or outstanding letters of credit at December 31, 2022 December 31, 2023, and management does not expect the amount of purchases of bank premises and equipment to have a material, detrimental effect on the Corporation's financial condition in 2023. 2024.

Table VII shows the composition of the loan portfolio at year-end from 2018 2019 through 2022. 2023. The significant loan growth in 2019 and 2020 reflects the impact of acquisitions. After acquisitions located in Southeastern Pennsylvania. Primarily as a reduction result of the acquisitions, as well as expansion by opening two offices in Southcentral Pennsylvania, the mix of the loan portfolio has changed to become predominantly commercial in nature. At December 31, 2023, commercial loans represented 75% of the portfolio while residential loans totaled 22% of the portfolio.

The segments presented in Table VII have been revised from those used in prior year disclosures to be consistent with the pools used in determining the collectively evaluated portion of the allowance for credit losses based on the CECL methodology in 2023.

As presented in Table VII, total loans outstanding at December 31, 2023 were $1,848,139,000 which is an increase of $108,099,000 (6.2%) from total loans at December 31, 2021 as compared to a year earlier, loan growth was robust in December 31, 2022. In comparing outstanding balances at December 31, 2023 and 2022, as the recorded investment in total commercial loans was were up $133,127,000 (13.6% $82,697,000 (6.4%), reflecting growth in non-owner occupied commercial real estate loans of $61,745,000 and owner occupied commercial real estate loans of $31,336,000 and a net decrease of $10,384,000 in other commercial loans. Within other commercial loans, the outstanding balance of commercial construction and land loans increased $43,231,000, offset by decreases in the outstanding balances of commercial and industrial, commercial lines of credit, loans to political subdivisions and other commercial loans. Total residential mortgage loans were up $39,760,000 (7.0% $20,132,000 (5.1%), from year-end 2021. The volume of residential mortgage and total consumer loans originated and sold into increased $5,270,000 (9.6%).

Also included in Table VII is additional detail regarding the secondary market fell significantly in 2022 as higher interest rates dampened market activity. In 2022, a substantial portion of new mortgage loans the Corporation originated were 5/1, 7/1 and 10/1 adjustable rate loans that were retained for investment on the balance sheet. At December 31, 2022, commercial loans represented approximately 64% composition of the non-owner occupied commercial real estate loan portfolio while residential mortgage at December 31, 2023. The data in Table VII shows the recorded investment in non-owner occupied commercial real estate loans totaled 35% for which the primary purpose is utilization of office space by third parties was $94,341,000, or 5.1% of gross loans receivable. At December 31, 2023, within this segment there were two loans with a total recorded investment of $3,908,000 in nonaccrual status with specific allowances totaling $524,000. The remainder of the portfolio. non-owner occupied commercial real estate loans with a primary purpose of office space utilization were in accrual status with no specific allowance at December 31, 2023. The Provision and Allowance for Credit Losses section of Management's Discussion and Analysis provides additional related discussion.

While the Corporation's lending activities are primarily concentrated in its market areas, a portion of the Corporation's commercial loan segment consists of participation loans. Participation loans represent portions of larger commercial transactions for which other

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institutions are the "lead banks". Although not the lead bank, the Corporation conducts detailed underwriting and monitoring of participation loan opportunities. Participation loans are included in the "Commercial and industrial", "Commercial loans secured by real estate", "Political subdivisions" and "Other commercial" classes in the loan tables presented in this Form 10-K. Total participation loans outstanding amounted to $44,723,000 $38,652,000 at December 31, 2022 December 31, 2023, down from $54,372,000 $44,723,000 at December 31, 2021. As described in more detail in the Provision and Allowance for Loan Losses section of Management's Discussion and Analysis, the Corporation recorded partial charge-offs totaling $3,942,000 on a commercial real estate secured participation loan with a recorded investment of $2,654,000 at December 31, 2022. At December 31, 2022, the balance of participation loans outstanding includes a total of $13,563,000 to businesses located outside of the Corporation's market areas. Also, included within participation loans are "leveraged loans," meaning loans to businesses with minimal tangible book equity and for which the extent of collateral available is limited, though typically at the time of origination the businesses have demonstrated strong cash flow performance in their recent histories. Leveraged participation loans totaled $2,370,000 at December 31, 2022 and $7,469,000 at December 31, 2021.

The Corporation originates and sells residential mortgage loans to the secondary market through the MPF Xtra program administered by the Federal Home Loan Banks of Pittsburgh and Chicago. Residential mortgages originated and sold through the MPF Xtra program consist primarily of conforming, prime loans sold to the Federal National Mortgage Association (Fannie Mae), a quasi-government entity. The Corporation also originates and sells residential mortgage loans to the secondary market through the MPF Original program, administered by the Federal Home Loan Banks of Pittsburgh and Chicago. Residential mortgages originated and sold through the MPF Original program consist primarily of conforming, prime loans sold to the Federal Home Loan Bank of Pittsburgh. The Corporation also may originate and sell larger-balance, nonconforming mortgages under the MPF Direct Program. The Corporation does not retain servicing rights for loans sold under the MPF Direct Program. Through December 31, 2022 December 31, 2023, the Corporation's activity under the MPF Direct Program has been minimal.

For loan sales originated under the MPF programs, the Corporation provides customary representations and warranties to investors that specify, among other things, that the loans have been underwritten to the standards established by the investor. The Corporation may be required to repurchase a loan and reimburse a portion of fees received or reimburse the investor for a credit loss incurred on a loan, if it is determined that the representations and warranties have not been met. Such repurchases or reimbursements generally result from an underwriting or documentation deficiency. At December 31, 2022 December 31, 2023, the total outstanding balance of loans the Corporation has repurchased as a result of identified instances of noncompliance amounted to $1,335,000 compared to $1,515,000 at December 31, 2022.

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At December 31, 2023, outstanding balances of loans sold and serviced through the corresponding total outstanding balance MPF Xtra and Original programs totaled $323,298,000, including loans sold through the MPF Xtra program of repurchased $150,015,000 and loans at December 31, 2021 was $1,571,000.

sold through the Original program of $173,283,000. At December 31, 2022, outstanding balances of loans sold and serviced through the MPF Xtra and Original programs totaled $325,677,000, including loans sold through the MPF Xtra program of $155,506,000 and loans sold through the Original program of $170,171,000. At December 31, 2021, outstanding balances of loans sold and serviced through the two programs totaled $334,741,000, including loans sold through the MPF Xtra program of $165,668,000 and loans sold through the Original Program of $169,073,000. Based on the fairly limited volume of required repurchases to date, no allowance has been established for representation and warranty exposures as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

For loans sold under the Original program, the Corporation provides a credit enhancement whereby the Corporation would assume credit losses in excess of a defined First Loss Account ("FLA") balance, up to specified amounts. The FLA is funded by the Federal Home Loan Bank of Pittsburgh based on a percentage of the outstanding balance of loans sold. At December 31, 2022, the Corporation's maximum credit enhancement obligation under the MPF Original Program was $6,392,000, and the Corporation has recorded a related allowance for credit losses in the amount of $425,000 which is included in accrued interest and other liabilities in the accompanying consolidated balance sheets. At December 31, 2021, the Corporation's maximum credit enhancement obligation under the MPF Original Program was $8,656,000, and the related allowance for credit losses was $635,000. Income related to providing the credit enhancement (included in other noninterest income in the consolidated statements of income) totaled $292,000 in 2022, $348,000 in 2021 and $227,000 in 2020. A credit for losses related to the credit enhancement obligation (included in other noninterest expense in the consolidated statements of income) of $172,000 was recorded in 2022 as compared to a provision for losses of $135,000 in 2021 and $167,000 in 2020. The Corporation does not provide a credit enhancement for loans sold through the Xtra program.

The Corporation is a participating SBA lender. Under the terms of its arrangements with the SBA, the Corporation may originate loans to commercial borrowers, with full-or-partial guarantees by the SBA, subject to the SBA's underwriting and documentation requirements. Pursuant to an acquisition, the Corporation acquired loans with partial SBA guarantees, or in some cases, loans where the SBA-guaranteed portion of the loans had been sold back to the SBA subject to ongoing compliance with SBA underwriting and documentation requirements. As part of its due diligence, the Corporation reviewed all the purchased loans originated through the

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various SBA loan programs as of July 1, 2020 and recorded an allowance for SBA claim adjustments. Determination of the allowance was subjective in nature and was based on the Corporation's assessment of the credit quality of the loans and the quality of the documentation supporting compliance with SBA requirements. The Corporation's total exposure related to SBA guarantees on purchased loans was $4,847,000 at December 31, 2022 and $12,856,000 at

December 31, 2021 with an allowance for SBA claim adjustments (included in accrued interest and other liabilities in the consolidated balance sheets) of $90,000 at December 31, 2022 and $457,000 at December 31, 2021. In 2022, the Corporation recorded a reduction in other noninterest expense of $367,000 representing amounts realized on SBA claims in excess of prior estimates, as compared to reductions of $236,000 in 2021 and $70,000 in 2020.

TABLE VII – Five-year Summary of Loans by Type

(Dollars In Thousands)	2022	%	2021	%	2020	%	2019	%	2018	%
Commercial:										
Commercial loans secured by real estate	$ 682,249	39.2	$ 569,840	36.4	$ 531,810	32.3	$ 301,227	25.5	$ 162,611	19.6
Commercial and industrial	178,271	10.2	159,073	10.2	159,577	9.7	126,374	10.7	91,856	11.1
Paycheck Protection Program - 1st Draw	5	0.0	1,356	0.1	132,269	8.0	0	0.0	0	0.0
Paycheck Protection Program - 2nd Draw	163	0.0	25,508	1.6	0	0.0	0	0.0	0	0.0
Political subdivisions	90,719	5.2	81,301	5.2	53,221	3.2	53,570	4.5	53,263	6.4
Commercial construction and land	73,963	4.3	60,579	3.9	42,874	2.6	33,555	2.8	11,962	1.4
Loans secured by farmland	12,950	0.7	11,121	0.7	11,736	0.7	12,251	1.0	7,146	0.9
Multi-family (5 or more) residential	55,886	3.2	50,089	3.2	55,811	3.4	31,070	2.6	7,180	0.9
Agricultural loans	2,435	0.1	2,351	0.2	3,164	0.2	4,319	0.4	5,659	0.7
Other commercial loans	14,857	1.0	17,153	1.0	17,289	1.1	16,535	1.4	13,950	1.7
Total commercial	1,111,498	63.9	978,371	62.5	1,007,751	61.2	578,901	49.0	353,627	42.7
Residential mortgage:										
Residential mortgage loans - first liens	509,782	29.3	483,629	30.9	532,947	32.4	510,641	43.2	372,339	45.0
Residential mortgage loans - junior liens	24,949	1.4	23,314	1.5	27,311	1.7	27,503	2.3	25,450	3.1
Home equity lines of credit	43,798	2.5	39,252	2.5	39,301	2.4	33,638	2.8	34,319	4.1
1-4 Family residential construction	30,577	1.8	23,151	1.5	20,613	1.3	14,798	1.3	24,698	3.0
Total residential mortgage	609,106	35.0	569,346	36.4	620,172	37.8	586,580	49.6	456,806	55.2
Consumer	19,436	1.1	17,132	1.1	16,286	1.0	16,741	1.4	17,130	2.1
Total	1,740,040	100.0	1,564,849	100.0	1,644,209	100.0	1,182,222	100.0	827,563	100.0
Less: allowance for loan losses	(16,615)		(13,537)		(11,385)		(9,836)		(9,309)	
Loans, net	$ 1,723,425		$ 1,551,312		$ 1,632,824		$ 1,172,386		$ 818,254	

(Dollars In Thousands)	2023	%	2022	%	2021	%	2020	%	2019	%
Commercial real estate - non-owner occupied:										
Non-owner occupied	$ 499,104	27.0	$ 454,386	26.1	$ 358,352	22.9	$ 328,662	20.0	$ 208,579	17.6
Multi-family (5 or more) residential	64,076	3.5	55,406	3.2	49,054	3.1	54,893	3.3	30,474	2.6
1-4 Family - commercial purpose	174,162	9.4	165,805	9.5	175,027	11.2	198,918	12.1	147,121	12.4
Total commercial real estate - non-owner occupied	737,342	39.9	675,597	38.8	582,433	37.2	582,473	35.4	386,174	32.6
Commercial real estate - owner occupied	237,246	12.8	205,910	11.8	196,083	12.5	191,075	11.6	78,729	6.7
All other commercial loans:										
Commercial and industrial	78,832	4.3	95,368	5.5	118,488	7.6	222,923	13.6	67,288	5.7
Commercial lines of credit	117,236	6.3	141,444	8.1	106,338	6.8	105,802	6.4	92,509	7.8
Political subdivisions	79,031	4.3	86,663	5.0	75,401	4.8	46,295	2.8	46,054	3.9
Commercial construction and land	104,123	5.6	60,892	3.5	59,505	3.8	41,000	2.5	32,717	2.8
Other commercial loans	20,471	1.2	25,710	1.5	26,498	1.8	29,310	1.9	28,735	2.4
Total all other commercial loans	399,693	21.7	410,077	23.6	386,230	24.8	445,330	27.2	267,303	22.6
Residential mortgage loans:										
1-4 Family - residential	389,262	21.1	363,005	20.9	327,593	20.9	356,532	21.7	388,415	32.9
1-4 Family residential construction	24,452	1.3	30,577	1.8	23,151	1.5	18,736	1.1	14,640	1.2
Total residential mortgage	413,714	22.4	393,582	22.7	350,744	22.4	375,268	22.8	403,055	34.1
Consumer loans:										
Consumer lines of credit (including HELOCs)	41,503	2.2	36,650	2.1	33,522	2.1	34,566	2.1	30,810	2.6
All other consumer	18,641	1.0	18,224	1.0	15,837	1.0	15,497	0.9	16,151	1.4
Total consumer	60,144	3.2	54,874	3.1	49,359	3.1	50,063	3.0	46,961	4.0
Total	1,848,139	100.0	1,740,040	100.0	1,564,849	100.0	1,644,209	100.0	1,182,222	100.0
Less: allowance for credit losses on loans	(19,208)		(16,615)		(13,537)		(11,385)		(9,836)	

Loans, net	$ 1,828,931	$ 1,723,425	$ 1,551,312	$ 1,632,824	$ 1,172,386

Additional details regarding the composition of the non-owner occupied commercial real estate loan portfolio at December 31, 2023 is as follows:

(In Thousands)	December 31, 2023	% of Non-owner Occupied CRE	% of Total Loans
Industrial	$ 109,160	21.9 %	5.9 %
Retail	94,824	19.0 %	5.1 %
Office	94,341	18.9 %	5.1 %
Hotels	73,094	14.6 %	4.0 %
Mixed Use	59,687	12.0 %	3.2 %
Other	67,998	13.6 %	3.7 %
Total Non-owner Occupied CRE Loans	$ 499,104		
Total Gross Loans	$ 1,848,139		

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TABLE VIII – LOAN MATURITY DISTRIBUTION

	As of December 31, 2022									A			
	Fixed-Rate Loans				Variable- or Adjustable-Rate Loans				All Loans	Fixed-Rate Loans			
(In Thousands)	1 Year or Less	1-5 Years	>5 Years	Total	1 Year or Less	1-5 Years	>5 Years	Total	Total	1 Year or Less	1-5 Years	>5 Years	Total
Commercial:													
Commercial loans secured by real estate	$40,852	$150,581	$108,207	$299,640	$139,966	$231,502	$ 11,141	$382,609	$ 682,249				
Commercial Real Estate- Nonowner Occupied:													
Non-owner occupied										$30,180	$181,360	$ 27,690	$239,23
Multi-family (5 or more) residential										5,775	20,151	2,157	28,08
1-4 Family - commercial purpose										14,537	51,672	10,784	76,99
Total commercial real estate - non-owner occupied										50,492	253,183	40,631	344,30
Commercial real estate - owner occupied										11,425	76,136	25,997	113,55
All other commercial loans:													
Commercial and industrial	17,765	40,576	10,334	68,675	91,796	17,800	0	109,596	178,271	1,453	44,794	7,719	53,96
Paycheck Protection Program - 1st Draw	0	5	0	5	0	0	0	0	5				
Paycheck Protection Program - 2nd Draw	0	163	0	163	0	0	0	0	163				
Commercial lines of credit										6,122	0	0	6,12
Political subdivisions	453	14,372	68,225	83,050	1,099	2,804	3,766	7,669	90,719	919	19,150	56,213	76,28
Commercial construction and land	1,887	3,412	20,926	26,225	30,122	15,715	1,901	47,738	73,963	7,112	21,889	746	29,74
Loans secured by farmland	47	1,267	726	2,040	1,612	9,264	34	10,910	12,950				
Multi-family (5 or more) residential	1,594	14,367	10,709	26,670	4,382	22,519	2,315	29,216	55,886				
Agricultural loans	164	651	0	815	1,056	564	0	1,620	2,435				
Other commercial loans	70	1,178	2,332	3,580	8,062	3,215	0	11,277	14,857	981	3,725	2,404	7,11
Total commercial	62,832	226,572	221,459	510,863	278,095	303,383	19,157	600,635	1,111,498				

Residential mortgage:													
Residential mortgage loans - first liens	17,378	41,298	165,471	224,147	38,340	116,688	130,607	285,635	509,782				
Residential mortgage loans - junior liens	248	2,468	15,936	18,652	2,778	3,351	168	6,297	24,949				
Home equity lines of credit	96	0	77	173	43,496	0	129	43,625	43,798				
Total all other commercial loans										16,587	89,558	67,082	173,22
Residential mortgage loans:													
1-4 Family - residential										402	7,566	149,915	157,88
1-4 Family residential construction	0	109	4,373	4,482	12,967	579	12,549	26,095	30,577	138	918	9,490	10,54
Total residential mortgage	17,722	43,875	185,857	247,454	97,581	120,618	143,453	361,652	609,106	540	8,484	159,405	168,42
Consumer	5,963	9,796	2,786	18,545	891	0	0	891	19,436				
Consumer loans:													
Consumer lines of credit (including HELOCs)										334	0	2	33
All other consumer										751	12,014	2,360	15,12
Total consumer										1,085	12,014	2,362	15,46
Total	$86,517	$280,243	$410,102	$776,862	$376,567	$424,001	$162,610	$963,178	$1,740,040	$80,129	$439,375	$295,477	$814,98

PROVISION AND ALLOWANCE FOR LOAN CREDIT LOSSES

The On January 1, 2023, the Corporation maintains adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an allowance for loan losses expected loss methodology that represents management's is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the losses inherent in the loan portfolio as remaining estimated life of the balance sheet date financial asset using historical experience, current conditions, and recorded as a reduction of the investment in loans. Notes reasonable and supportable forecasts. Note 1 and 8 to the consolidated financial statements provide an overview provides a detailed explanation of the process management uses for evaluating and determining the allowance for loan losses.

While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in future years. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses. Such agencies may require the Corporation to recognize adjustments to the allowance based on their judgments of information available to them at the time of their examination.

The allowance for loan losses was $16,615,000 at December 31, 2022, up from $13,537,000 at December 31, 2021. Table X shows total specific allowances on impaired loans of $453,000 at December 31, 2022, down from $740,000 at December 31, 2021. Table X also shows the increase in the allowance in 2022 is mainly related to commercial loans, as the collectively evaluated portion of the allowance adopted accounting policies related to the commercial segment increased application of CECL.

Effective January 1, 2023, the Corporation adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for 2023 are presented under CECL while prior period amounts continue to $10,845,000 at December 31, 2022 from $7,553,000 at December 31, 2021 be reported in accordance with previously applicable accounting standards ("Incurred Loss"). Table X also shows that the allowance has increased at each year-end from 2018 through 2022, reflecting At January 1, 2023, the impact of loan growth and other factors, though the total specific allowance on individually impaired loans has decreased each year.
Table XI shows the allowance for loan losses totaled 0.95% of adopting CECL included an increase in gross loans outstanding at receivable of $806,000 as compared to December 31, 2022, up from 0.87% at December 31, 2021. This ratio declined and an increase in 2019 and again in 2020 when loans acquired in business combinations were recorded at their initial fair values, including an estimated adjustment for credit losses, with no allowance initially recorded on those loans. Accordingly, the allowance as a percentage of loans dipped from 1.12% at December 31, 2018 to 0.83% at December 31, 2019 following the Monument acquisition and then to 0.69% at December 31, 2020 following the Covenant acquisition. Table XI also shows that the total of the allowance and the credit adjustment on purchased non-impaired loans, as a percentage of total loans plus the credit adjustment, was 1.06% at December 31, 2022, in line with ratios from the previous years.

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The provision (credit) allowance for credit losses of $2,104,000 as compared to the allowance for loan losses by segment determined under the Incurred Loss method at December 31, 2022.

A summary of the provision for 2022, 2021 and 2020 credit losses for the year ended December 31, 2023, is as follows:

(In Thousands)	Year Ended December 31, 2023
Provision for credit losses:	
Loans receivable	$ 753
Off-balance sheet exposures (1)	(567)
Tota provision for credit losses	$ 186

(In Thousands)	2022	2021	2020
Commercial	$ 7,097	$ 3,427	$ 3,847
Residential mortgage	(284)	90	27
Consumer	113	58	39
Unallocated	329	86	0
Total	$ 7,255	$ 3,661	$ 3,913

(1) The (credit) provision for credit losses on off-balance sheet exposures prior to January 1, 2023 was included in other noninterest expense in the consolidated statements of income.

The For the year ended December 31, 2023, there was a provision for credit losses of $186,000, a decrease of $7,069,000 in expense compared to a provision for loan losses is further detailed as follows:

Commercial segment

(In Thousands)	2022	2021	2020
Net change in total specific allowance on impaired loans, adjusted for the effect of net charge-offs	$ 3,805	$ 1,419	$ 2,215
Increase (decrease) in collectively determined portion of the allowance attributable to:			
Changes in loan volume	3,180	1,879	432
Changes in historical loss experience factors	1,341	129	831
Changes in qualitative factors	(1,229)	0	369
Total provision for loan losses - Commercial segment	$ 7,097	$ 3,427	$ 3,847

Residential mortgage segment

(In Thousands)	2022	2021	2020
Net change in total specific allowance on impaired loans, adjusted for the effect of net charge-offs	$ (19)	$ (157)	$ (58)
Increase (decrease) in collectively determined portion of the allowance attributable to:			
Changes in loan volume	759	348	(240)
Changes in historical loss experience factors	(59)	(56)	(88)
Changes in qualitative factors	(965)	(45)	413
Total (credit) provision for loan losses - Residential mortgage segment	$ (284)	$ 90	$ 27

Consumer segment

(In Thousands)	2022	2021	2020
Net change in total specific allowance on impaired loans, adjusted for the effect of net charge-offs	$ 104	$ 62	$ 81
(Decrease) increase in collectively determined portion of the allowance attributable to:			
Changes in loan volume	35	14	(30)
Changes in historical loss experience factors	(13)	(23)	(15)
Changes in qualitative factors	(13)	5	3
Total provision for loan losses - Consumer segment	$ 113	$ 58	$ 39

Total – All segments

(In Thousands)	2022	2021	2020
Net change in total specific allowance on impaired loans, adjusted for the effect of net charge-offs	$ 3,890	$ 1,324	$ 2,238
Increase (decrease) in collectively determined portion of the allowance attributable to:			
Changes in loan volume	3,974	2,241	162
Changes in historical loss experience factors	1,269	50	728
Changes in qualitative factors	(2,207)	(40)	785
Sub-total	6,926	3,575	3,913
Unallocated	329	86	0
Total provision for loan losses - All segments	$ 7,255	$ 3,661	$ 3,913

In 2022, of $7,255,000 in 2022. The provision for 2023 included expense related to loans receivable of $753,000 and a credit related to off-balance sheet exposures of $567,000. The expense related to loans receivable was mainly attributable to qualitative adjustments of the provision includes Corporation's historical loss experience in estimating the ACL and the impact of partial charge-offs totaling $3,942,000 on a commercial real estate secured participation loan to a borrower in the health care industry. The charge-offs resulted from the borrower's default due to deterioration in financial performance. The recorded investment in the loan at December 31, 2022 (principal balance, net of partial charge-offs) was $2,654,000

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based on a settlement agreement reached with the borrower. At March 7, 2023, after the impact of payments received pursuant to the settlement agreement, the recorded investment in the loan was $474,000. The 2022 provision also includes $1,269,000 related to a net increase in historical loss factors, most of which resulted from the partial charge-offs just described. Further, the 2022 provision includes $3,974,000 attributable to increases in loan volume resulting from significant loan growth, particularly for the commercial segment, an economic forecast, as well as an increase in the collectively determined portion of the allowance related to management's updated assessment of purchased performing loans. In 2022, changes in qualitative factors resulted in a reduction in the provision of $2,207,000, including reductions of $1,229,000 related to the commercial segment and $965,000 related to the residential mortgage segment. The reduction in the provision from changes in qualitative factors reflects management's assessment that despite concerns that have arisen related to a limited number of commercial loans, the overall credit quality of the portfolio has been improving over the past several quarters.

In the tables immediately above, the portion of the Corporation's average net change in the collectively determined allowance attributable to loan growth was determined by applying the historical loss charge-off experience, and qualitative factors used in the allowance calculation at the end of the preceding period to the net increase or reduction in loans outstanding (excluding loans specifically evaluated for impairment) for the period.

ACL. The effect on the provision of changes in historical loss experience and qualitative factors, as shown in the tables above, was determined by: (1) calculating the net change in each factor used in determining the allowance at the end of the period as compared to the preceding period, and (2) applying the net change in each factor to the outstanding balance of loans at the end of the preceding period (excluding loans specifically evaluated for impairment).

In 2022, net charge-offs were $4,177,000, including recoveries of $68,000 and charge-offs of $4,245,000. Table XII shows the average rate of net charge-offs ACL as a percentage of gross loans receivable was 0.26% in 2022, up from 1.04% at December 31, 2023 as compared to 1.08% at January 1, 2023 upon the annual average rates for the previous 4 years ranging from a high initial adoption of 0.16% in 2020 to a low of 0.02% in 2018 and the 5-year average of 0.13%.CECL.

Table XI presents information related to past due and impaired loans, and loans shows that have been modified under terms that are considered TDRs. At December 31, 2022, impaired loans totaled $19,358,000, up from $15,734,000 at December 31, 2021. Similarly, total nonperforming loans of $25,322,000 at December 31, 2022 was up from $21,218,000 at December 31, 2021. At December 31, 2022, advances to a commercial borrower under lines of credit totaling $10,799,000 were classified as impaired and nonaccrual. Based on an estimate of the liquidation value of business assets that collateralize the lines of credit, there was no specific allowance recorded on these advances at December 31, 2022. Total nonperforming loans as a percentage of outstanding loans was 1.46% at December 31, 2022, up from 1.36% at December 31, 2021, and nonperforming assets as a percentage of total assets was 0.75% at December 31, 2023, down from 1.04% at December 31, 2022 and lower than that at year-end 2019 through 2021. Total nonperforming assets were $18.8 million at December 31, 2023, up down from 0.94% $25.6 million at December 31, 2021 December 31, 2022. Similarly, total loans individually evaluated for credit loss decreased to $11.3 million at December 31, 2023 from $19.4 million at December 31, 2022. The net decrease in nonperforming assets at December 31, 2023 compared to December 31, 2022 included the impact of a $10.0 million payoff in the first quarter 2023 on a commercial loan relationship that was classified as nonaccrual at

December 31, 2022. The reduction also included paydowns totaling $2,302,000 in 2023 on a commercial loan for which partial charge-offs totaling $3,942,000 were recorded in 2022. The remaining carrying value of this loan was $352,000 at December 31, 2023. These reductions were partially offset by the addition to nonaccrual of two commercial loan relationships totaling $4,457,000, including two commercial real estate loans with a primary purpose of office space utilization totaling $3,908,000, at December 31, 2023.

In 2023, net charge-offs were low by historical standards, totaling $264,000, or 0.01% of average outstanding loans. Table XI presents data at the end IX shows annual average net charge-off rates ranging from a high of each of the years ended December 31, 2018 through 2022. Table XI shows that the year-end ratio of total nonperforming loans as a percentage of loans ranged from 0.26% in 2022 to a low of 0.88% 0.03% in 2019 to a high of 1.94% in 2018 and the ratio of total nonperforming assets as a percentage of assets ranged from a low of 0.80% in 2019 to a high of 1.37% in 2018. 2019.

Over the period 2018-2022, 2019-2023, each period includes a few large commercial relationships that have required significant monitoring and workout efforts. As a result, a limited number of relationships may significantly impact the total amount of allowance required on impaired individual loans and may significantly impact the provision for loan credit losses and the amount of total charge-offs reported in any one period.

Management believes it has been conservative in its decisions concerning identification of impaired loans requiring individual evaluation for credit loss, estimates of loss, and nonaccrual status; however, the actual losses realized from these relationships could vary materially from the allowances calculated as of December 31, 2022 December 31, 2023. Management continues to closely monitor its commercial loan relationships for possible credit losses and will adjust its estimates of loss and decisions concerning nonaccrual status, if appropriate.

Tables IX through XII present historical data related to loans and the allowance for loan losses.

As described in Note 2 to the consolidated financial statements, effective January 1, 2023, the Corporation is adopting the required change in accounting for credit losses on loans receivable from an incurred loss methodology to an expected credit loss methodology commonly referred to as CECL. The allowance for credit losses will be based on the Corporation's historical loss experience, borrower characteristics, forecasts of future economic conditions and other relevant factors. The Corporation will also apply qualitative factors to account for information that may not be reflected in quantitatively derived results or other relevant factors to ensure the allowance reflects management's best estimate of current expected credit losses.

The Corporation is adopting CECL on January 1, 2023 using the modified retrospective approach. Based on implementation efforts to date, management estimates CECL adoption will result in a reduction in retained earnings estimated at $1,000,000 to $3,000,000, net of .

tax. Management estimates CECL adoption will result in an increase in the allowance for credit losses of $2,000,000 to $4,000,000 over the balance in the allowance for loan losses of $16,615,000 at December 31, 2022.
The Corporation is in the process of finalizing its expected credit loss estimates and the operational and control structure supporting the process.

TABLE IX - ANALYSIS OF THE ALLOWANCE FOR LOAN CREDIT LOSSES ON LOANS

(Dollars In Thousands)	Years Ended December 31,				
	2022	2021	2020	2019	2018
Balance, beginning of year	$ 13,537	$ 11,385	$ 9,836	$ 9,309	$ 8,856
Charge-offs:					
Commercial	(4,092)	(1,464)	(2,343)	(6)	(165)
Residential mortgage	0	(11)	0	(190)	(158)
Consumer	(153)	(100)	(122)	(183)	(174)
Total charge-offs	(4,245)	(1,575)	(2,465)	(379)	(497)
Recoveries:					
Commercial	0	22	16	6	317
Residential mortgage	19	6	44	12	8
Consumer	49	38	41	39	41
Total recoveries	68	66	101	57	366

Net charge-offs	(4,177)	(1,509)	(2,364)	(322)	(131)
Provision for loan losses	7,255	3,661	3,913	849	584
Balance, end of period	$ 16,615	$ 13,537	$ 11,385	$ 9,836	$ 9,309
Net charge-offs as a % of average loans	0.26 %	0.09 %	0.16 %	0.03 %	0.02 %

(Dollars In Thousands)

	Years Ended December 31,				
	2023	**2022**	**2021**	**2020**	**2019**
Balance, beginning of year	$ 16,615	$ 13,537	$ 11,385	$ 9,836	$ 9,309
Adoption of ASU 2016-13 (CECL)	2,104	0	0	0	0
Charge-offs	(356)	(4,245)	(1,575)	(2,465)	(379)
Recoveries	92	68	66	101	57
Net charge-offs	(264)	(4,177)	(1,509)	(2,364)	(322)
Provision for credit losses	753	7,255	3,661	3,913	849
Balance, end of year	$ 19,208	$ 16,615	$ 13,537	$ 11,385	$ 9,836
Net charge-offs as a % of average loans	0.01 %	0.26 %	0.09 %	0.16 %	0.03 %

TABLE X - COMPONENTS OF THE ALLOWANCE FOR LOAN CREDIT LOSSES

(In Thousands)

	As of December 31,				
	2022	**2021**	**2020**	**2019**	**2018**
ASC 310 - Impaired loans - individually evaluated	$ 453	$ 740	$ 925	$ 1,051	$ 1,605
ASC 450 - Collectively evaluated:					
Commercial	10,845	7,553	5,545	3,913	3,102
Residential mortgage	4,073	4,338	4,091	4,006	3,870
Consumer	244	235	239	281	233
Unallocated	1,000	671	585	585	499
Total Allowance	$ 16,615	$ 13,537	$ 11,385	$ 9,836	$ 9,309

UPON ADOPTION OF CECL

(In Thousands)	December 31, 2023	January 1, 2023
Loans individually evaluated	$ 743	$ 751
Loans collectively evaluated:		
Commercial real estate - nonowner occupied	10,379	9,641
Commercial real estate - owner occupied	2,111	1,765
All other commercial loans	3,811	3,914
Residential mortgage	1,764	2,407
Consumer	400	241
Total Allowance	$ 19,208	$ 18,719

PRIOR TO CECL ADOPTION

(In Thousands)

	As of December 31,			
	2022	**2021**	**2020**	**2019**
ASC 310 - Impaired loans - individually evaluated	$ 453	$ 740	$ 925	$ 1,051
ASC 450 - Collectively evaluated:				
Commercial	10,845	7,553	5,545	3,913
Residential mortgage	4,073	4,338	4,091	4,006
Consumer	244	235	239	281
Unallocated	1,000	671	585	585

Total Allowance	$ 16,615	$ 13,537	$ 11,385	$ 9,836

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TABLE XI - PAST DUE AND IMPAIRED LOANS, NONPERFORMING ASSETS AND TROUBLED DEBT RESTRUCTURINGS (TDRs)

(Dollars In Thousands)	As of December 31,					As of December 31,				
	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
Impaired loans with a valuation allowance	$ 3,460	$ 6,540	$ 8,082	$ 3,375	$ 4,851					
Impaired loans without a valuation allowance	14,871	2,636	2,895	1,670	4,923					
Loans individually evaluated with a valuation allowance						$ 7,786	$ 3,460	$ 6,540	$ 8,082	$ 3,375
Loans individually evaluated without a valuation allowance						3,478	14,871	2,636	2,895	1,670
Purchased credit impaired loans	1,027	6,558	6,841	441	0	0	1,027	6,558	6,841	441
Total impaired loans	$ 19,358	$ 15,734	$ 17,818	$ 5,486	$ 9,774					
Total individually evaluated loans						$11,264	$19,358	$15,734	$17,818	$ 5,486
Total loans past due 30-89 days and still accruing	$ 7,079	$ 5,106	$ 5,918	$ 8,889	$ 7,142	$ 9,275	$ 7,079	$ 5,106	$ 5,918	$ 8,889
Nonperforming assets:										
Purchased credit impaired loans	$ 1,027	$ 6,558	$ 6,841	$ 441	$ 0	$ 0	$ 1,027	$ 6,558	$ 6,841	$ 441
Other nonaccrual loans	22,058	12,441	14,575	8,777	13,113	15,177	22,058	12,441	14,575	8,777
Total nonaccrual loans	23,085	18,999	21,416	9,218	13,113	15,177	23,085	18,999	21,416	9,218
Total loans past due 90 days or more and still accruing	2,237	2,219	1,975	1,207	2,906	3,190	2,237	2,219	1,975	1,207
Total nonperforming loans	25,322	21,218	23,391	10,425	16,019	18,367	25,322	21,218	23,391	10,425

Foreclosed assets held for sale (real estate)	275	684	1,338	2,886	1,703	478	275	684	1,338	2,886
Total nonperforming assets	$ 25,597	$ 21,902	$ 24,729	$ 13,311	$ 17,722	$18,845	$25,597	$21,902	$24,729	$13,311
Loans subject to troubled debt restructurings (TDRs):										
Performing	$ 571	$ 288	$ 166	$ 889	$ 655					
Nonperforming	3,856	5,517	7,285	1,737	2,884					
Total TDRs	$ 4,427	$ 5,805	$ 7,451	$ 2,626	$ 3,539					
Total nonperforming loans as a % of loans	1.46 %	1.36 %	1.42 %	0.88 %	1.94 %	0.99 %	1.46 %	1.36 %	1.42 %	0.88 %
Total nonperforming assets as a % of assets	1.04 %	0.94 %	1.10 %	0.80 %	1.37 %	0.75 %	1.04 %	0.94 %	1.10 %	0.80 %
Allowance for loan losses as a % of total loans	0.95 %	0.87 %	0.69 %	0.83 %	1.12 %					
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (a)	1.06 %	1.08 %	1.05 %	0.93 %	1.12 %					
Allowance for loan losses as a % of nonperforming loans	65.61 %	63.80 %	48.67 %	94.35 %	58.11 %					
(a) Credit adjustment on purchased non-impaired loans at end of period	$ 1,840	$ 3,335	$ 5,979	$ 1,216	$ 0					
Allowance for loan losses	16,615	13,537	11,385	9,836	9,309					
Total credit adjustment on purchased non-impaired loans at end of period and allowance for loan losses (1)	$ 18,455	$ 16,872	$ 17,364	$ 11,052	$ 9,309					
Total loans receivable	$ 1,740,040	$ 1,564,849	$ 1,644,209	$ 1,182,222	$827,563					

Credit adjustment on purchased non-impaired loans at end of period	1,840	3,335	5,979	1,216	0					
Total (2)	$ 1,741,880	$ 1,568,184	$ 1,650,188	$ 1,183,438	$ 827,563					
Credit adjustment on purchased non-impaired loans and allowance for loan losses as a % of total loans and the credit adjustment (1)/(2)	1.06 %	1.08 %	1.05 %	0.93 %	1.12 %					
Allowance for credit losses as a % of total loans						1.04 %	0.95 %	0.87 %	0.69 %	0.83 %

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TABLE XII – FIVE-YEAR HISTORY OF LOAN LOSSES

(Dollars In Thousands)	2022	2021	2020	2019	2018	Average	2023	2022	2021	2020	
Average gross loans	$1,628,094	$1,596,756	$1,445,098	$1,057,559	$822,346	$1,309,971	$1,792,149	$1,628,094	$1,596,756	$1,445,098	$1,
Year-end gross loans	1,740,040	1,564,849	1,644,209	1,182,222	827,563	$1,391,777	1,848,139	1,740,040	1,564,849	1,644,209	1,
Year-end allowance for loan losses	16,615	13,537	11,385	9,836	9,309	$ 12,136					
Year-end allowance for credit losses on loans							19,208	16,615	13,537	11,385	
Year-end nonaccrual loans	23,085	18,999	21,416	9,218	13,113	$ 17,166	15,177	23,085	18,999	21,416	

Year-end loans 90 days or more past due and still accruing	2,237	2,219	1,975	1,207	2,906	2,109	3,190	2,237	2,219	1,975
Net charge-offs	4,177	1,509	2,364	322	131	1,701	264	4,177	1,509	2,364
Provision for loan losses	7,255	3,661	3,913	849	584	3,252				
Provision for credit losses on loans							753	7,255	3,661	3,913
Earnings coverage of charge-offs	8 x	26 x	10 x	76 x	210 x	17 x	119 x	8 x	26 x	10 x
Allowance coverage of charge-offs	4 x	9 x	5 x	31 x	71 x	7 x	73 x	4 x	9 x	5 x
Net charge-offs as a % of provision for loan losses	57.57 %	41.22 %	60.41 %	37.93 %	22.43 %	52.31 %				
Net charge-offs as a % of provision for credit losses on loans							35.06 %	57.57 %	41.22 %	60.41 %
Net charge-offs as a % of average gross loans	0.26 %	0.09 %	0.16 %	0.03 %	0.02 %	0.13 %	0.01 %	0.26 %	0.09 %	0.16 %
Income before income taxes on a fully taxable equivalent basis	33,576	38,822	24,192	24,453	27,564	29,721	31,402	33,576	38,822	24,192

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Corporation's significant fixed and determinable contractual obligations as of December 31, 2022 December 31, 2023 include repayment obligations related to time deposits and borrowed funds. Information related to maturities of time deposits is provided in Note 11 10 to the consolidated financial statements. Information related to maturities of borrowed funds is provided in Note 12 11 to the consolidated financial statements. The Corporation's operating lease commitments with terms of one year or less and other commitments at December 31, 2022 December 31, 2023 are immaterial. Information concerning operating lease commitments with terms greater than one year is provided in Note 17 15 to the consolidated financial statements. The Corporation's significant off-balance sheet arrangements include commitments to extend credit and standby letters of credit. Off-balance sheet arrangements are described in Note 16 15 and the allowance for credit losses on off-balance sheet exposures is described in Note 7 to the consolidated financial statements.

As described in more detail in the Financial Condition section of Management's Discussion and Analysis, the Corporation sells residential mortgage loans for which the Corporation provides customary representations and warranties to investors that specify, among other things, that the loans have been underwritten to the standards established by the investor. The Corporation may be required to repurchase a loan and reimburse a portion of fees received or reimburse the investor for a credit loss incurred on a loan, if it is determined that the representations and warranties have not been met. At December 31, 2022 December 31, 2023, outstanding balances of such loans sold totaled $325,677,000. $323,298,000.

Also, for loans sold under the MPF Original program, the Corporation provides a credit enhancement. At December 31, 2022, the Corporation's maximum credit enhancement obligation under the MPF Original Program was $6,392,000, and the Corporation has recorded a related allowance for credit losses in the amount of $425,000 which is included in "Accrued interest and other liabilities" in the accompanying consolidated balance sheets.

As discussed in the Financial Condition section of Management's Discussion and Analysis, the Corporation is a participating SBA lender and may originate loans to commercial borrowers, with full-or-partial guarantees by the SBA, subject to the SBA's underwriting and documentation requirements. In some cases, the Corporation may sell the SBA-guaranteed portion of the loan back to the SBA subject to ongoing compliance with SBA underwriting and documentation requirements. If it is determined that the ongoing compliance requirements are not met, the Corporation could be subject to claim adjustments on SBA guaranteed loans. At December 31, 2022, the Corporation's total exposure to SBA guarantees was $4,847,000 with a recorded claims adjustment allowance of $90,000, included in accrued interest and other liabilities in the consolidated balance sheets.

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LIQUIDITY

Liquidity is the ability to quickly raise cash at a reasonable cost. An adequate liquidity position permits the Corporation to pay creditors, compensate for unforeseen deposit fluctuations and fund unexpected loan demand. At December 31, 2022, the Corporation maintained overnight interest-bearing deposits with the Federal Reserve Bank of Philadelphia and other correspondent banks totaling $21,887,000.

The Corporation maintains overnight borrowing facilities with several correspondent banks that provide a source of day-to-day liquidity. Also, the Corporation maintains borrowing facilities with the Federal Home Loan Bank of Pittsburgh, secured by various mortgage loans.

The Corporation has a line of credit with the Federal Reserve Bank of Philadelphia's Discount Window. Management intends to use this line of credit as a contingency funding source. As collateral for the line, the Corporation has pledged available-for-sale securities with a carrying value of $24,113,000 $20,829,000 at December 31, 2022 December 31, 2023.

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The Corporation's outstanding, available, and total credit facilities at December 31, 2022 December 31, 2023 and 2021 2022 are as follows:

	Outstanding		Available		Total Credit	
(In Thousands)	December 31,	December 31,	December 31,	December 31,	December 31,	December 31,

	2022	2021	2022	2021	2022	2021
Federal Home Loan Bank of Pittsburgh	$ 150,099	$ 33,311	$ 689,279	$ 723,557	$ 839,378	$ 756,868
Federal Reserve Bank Discount Window	0	0	23,107	13,642	23,107	13,642
Other correspondent banks	0	0	95,000	45,000	95,000	45,000
Total credit facilities	$ 150,099	$ 33,311	$ 807,386	$ 782,199	$ 957,485	$ 815,510

	Outstanding		Available		Total Credit	
(In Thousands)	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Federal Home Loan Bank of Pittsburgh	$ 189,021	$ 150,099	$ 737,824	$ 689,279	$ 926,845	$ 839,378
Federal Reserve Bank Discount Window	0	0	19,982	23,107	19,982	23,107
Other correspondent banks	0	0	75,000	95,000	75,000	95,000
Total credit facilities	$ 189,021	$ 150,099	$ 832,806	$ 807,386	$ 1,021,827	$ 957,485

At December 31, 2023, the Corporation's outstanding credit facilities with the Federal Home Loan Bank of Pittsburgh consisted of overnight and short-term borrowings of $31,500,000, long-term borrowings with par values totaling $138,313,000 and letters of credit totaling $19,208,000. At December 31, 2022, the Corporation's outstanding credit facilities with the Federal Home Loan Bank of Pittsburgh consisted of overnight borrowing of $77,000,000, long-term borrowings of $62,272,000 and letters of credit totaling $10,827,000. At December 31, 2021, the Corporation's outstanding credit facilities with the Federal Home Loan Bank of Pittsburgh consisted of long-term borrowings of $27,727,000 and letters of credit totaling $5,584,000.

Additionally, the Corporation uses "RepoSweep" arrangements to borrow funds from commercial banking customers on an overnight basis. If required to raise cash in an emergency situation, the Corporation could sell utilize available-for-sale debt securities as collateral for borrowings or sell securities to meet its obligations. At December 31, 2022 December 31, 2023, the carrying value of available-for-sale debt securities in excess of amounts required to meet pledging or repurchase agreement obligations was $272,475,000. $256,058,000.

Management Deposits totaled $2,014,806,000 at December 31, 2023, up $17,213,000 (0.9%) from $1,997,593,000 at December 31, 2022. Average total deposits were 0.4% lower for the year ended December 31, 2023, as compared to the year ended December 31, 2022. Excluding brokered deposits, adjusted total deposits at December 31, 2023 were lower by $26,173,000 (1.3%) as compared to December 31, 2022. Brokered deposits, consisting mainly of short-term certificates of deposit, totaled $64,369,000 at December 31, 2023, an increase of $43,386,000 from December 31, 2022. The reduction in total deposits, excluding brokered deposits, included a reduction in the estimated amount of deposits in excess of FDIC insurance levels (uninsured deposit balances) of $97.2 million as compared to December 31, 2022. The net reduction in uninsured deposits resulted from several factors, including the impact of customer funds transferred to higher-yielding investment alternatives and increased use of reciprocal deposits that allow C&N Bank to place customer funds in excess of the FDIC insurance limit with other financial institutions through a deposit placement network in exchange for a matching amount of deposits from other network financial institutions. Reciprocal deposits totaled $223.5 million at December 31, 2023, up $121.7 million from December 31, 2022.

As shown in the table below, at December 31, 2023, estimated uninsured deposits totaled $592.2 million, or 29.2% of total deposits, down from $689.4 million or 34.2% of total deposits at December 31, 2022. Included in uninsured deposits are deposits collateralized by securities (almost exclusively municipal deposits) totaling $151.0 million at December 31, 2023. As shown in the table below, total uninsured and uncollateralized deposits amounted to 21.7% of total deposits at December 31, 2023, down from 24.0% at December 31, 2022.

As summarized in the table that immediately follows, the Corporation's highly liquid sources of available funds described above, including unused borrowing capacity with the Federal Home Loan Bank of Pittsburgh, unused availability on the Federal Reserve Bank of Philadelphia's discount window, available federal funds lines with other banks and unencumbered available-for-sale debt securities totaled $1.1 billion at December 31, 2023, 2023. Available funding from these sources totaled 183.9% of uninsured deposits and 246.8% of total uninsured and uncollateralized deposits at December 31, 2023.

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Uninsured Deposits Information	**December 31, 2023**	**December 31, 2022**

Total Deposits - C&N Bank	$	2,030,909	$	2,016,666
Estimated Total Uninsured Deposits	$	592,206	$	689,435
Portion of Uninsured Deposits that are Collateralized		151,031		205,886
Uninsured and Uncollateralized Deposits	$	441,175	$	483,549
Uninsured and Uncollateralized Deposits as a % of Total Deposits		**21.7** %		**24.0** %
Available Funding from Credit Facilities	$	832,806	$	807,386
Fair Value of Available-for-sale Debt Securities in Excess of Pledging Obligations		256,058		272,475
Highly Liquid Available Funding	$	1,088,864	$	1,079,861
Highly Liquid Available Funding as a % of Uninsured Deposits		**183.9** %		**156.6** %
Highly Liquid Available Funding as a % of Uninsured and Uncollateralized Deposits		**246.8** %		**223.3** %

Despite the reduction in deposits, excluding brokered deposits, in 2023, based on the ample sources of highly liquid funds as described above, management believes the Corporation is well-positioned to meet its short-term and long-term funding obligations.

STOCKHOLDERS' EQUITY AND CAPITAL ADEQUACY

Details concerning capital ratios at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 are presented in Note 18 17 to the consolidated financial statements. Management believes, as of December 31, 2022 December 31, 2023, that C&N Bank meets all capital adequacy requirements to which it is subject and maintains a capital conservation buffer (described in more detail below) that allows the Bank to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. Further, the Corporation's and C&N Bank's capital ratios at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 exceed the Corporation's Board policy threshold levels. Management expects C&N Bank to maintain capital levels that exceed the regulatory standards for well-capitalized institutions for the next 12 months and for the foreseeable future.

Future dividend payments and repurchases of common stock will depend upon maintenance of a strong financial condition, future earnings and capital and regulatory requirements. In addition, the Corporation and C&N Bank are subject to restrictions on the amount of dividends that may be paid without approval of banking regulatory authorities. These restrictions are described in Note 18 17 to the consolidated financial statements. Further, although the Corporation is no longer subject to the specific consolidated capital requirements described herein, the Corporation's ability to pay dividends, repurchase stock or engage in other activities may be limited by the Federal Reserve if the Corporation fails to hold sufficient capital commensurate with its overall risk profile.

To avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization subject to the rule C&N Bank must hold a capital conservation buffer composed of common equity tier 1 capital above its minimum risk-based capital requirements. The buffer is measured relative to risk-weighted assets. At December 31, 2022 December 31, 2023, the minimum risk-based capital ratios, and the capital ratios including the capital conservation buffer, are as follows:

Minimum common equity tier 1 capital ratio	4.5 %
Minimum common equity tier 1 capital ratio plus capital conservation buffer	7.0 %

Minimum tier 1 capital ratio	6.0 %
Minimum tier 1 capital ratio plus capital conservation buffer	8.5 %
Minimum total capital ratio	8.0 %
Minimum total capital ratio plus capital conservation buffer	10.5 %

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A banking organization with a buffer greater than 2.5% over the minimum risk-based capital ratios would not be subject to additional limits on dividend payments or discretionary bonus payments; however, a banking organization with a buffer less than 2.5% would be subject to increasingly stringent limitations as the buffer approaches zero. Also, a banking organization is prohibited from making dividend payments or discretionary bonus payments if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% as of the beginning of that quarter. Eligible net income is defined as net income for the four calendar quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income. A summary of payout restrictions based on the capital conservation buffer is as follows:

Capital Conservation Buffer (as a % of risk-weighted assets)	**Maximum Payout (as a % of eligible retained income)**
Greater than 2.5%	No payout limitation applies
≤2.5% and >1.875%	60 %
≤1.875% and >1.25%	40 %
≤1.25% and >0.625%	20 %
≤0.625%	0 %

At December 31, 2022 December 31, 2023, C&N Bank's Capital Conservation Buffer (determined based on the minimum total capital ratio) was 6.68% 6.89%.

As described in Note 2 to On September 25, 2023, the consolidated financial statements, Corporation announced a new treasury stock repurchase program. Under the newly approved program, the Corporation is adopting CECL on January 1, 2023 using authorized to repurchase up to 750,000 shares of the modified retrospective approach. Based on implementation efforts Corporation's common stock, or slightly less than 5% of the Corporation's issued and outstanding shares at August 4, 2023. The new program was effective when publicly announced and will continue thereafter until suspended or terminated by the Board of Directors, in its sole discretion. All shares of common stock repurchased pursuant to date, management estimates CECL adoption will result in a reduction in retained earnings estimated at $1,000,000 the new program shall be held as treasury shares and be available for use and reissuance for purposes as and when determined by the Board of Directors including, without limitation, pursuant to $3,000,000, net of tax. Management estimates CECL adoption will result in an increase in the allowance for credit losses of $2,000,000 to $4,000,000 over Corporation's Dividend Reinvestment and Stock Purchase Plans and its equity compensation program. Through December 31, 2023, no shares were repurchased under the balance in the allowance for loan losses of $16,615,000 at December 31, 2022. new program.

Banking regulators permit transitional relief of incremental capital requirements from CECL adoption by utilizing a 3-year optional phase-in. Management does not expect to utilize the phased-in approach and expects to record the entire cumulative effect adjustment against regulatory capital at the time of adoption.

The Corporation's total stockholders' equity is affected by fluctuations in the fair values of available-for-sale debt securities. The difference between amortized cost and fair value of available-for-sale debt securities, net of deferred income tax, is included in accumulated other comprehensive (loss) income loss within stockholders' equity. Accumulated other comprehensive (loss) income loss is excluded from the Bank's and Corporation's regulatory capital ratios. The balance in accumulated other comprehensive loss related to unrealized losses on available-for-sale debt securities, net of deferred income tax, amounted to $38,878,000 at December 31, 2023 and $50,370,000 at December 31, 2022 as compared to the balance in accumulated other comprehensive income related to unrealized gains on available-for-sale debt securities, net of deferred income tax of $4,809,000 $4,809,000 at December 31, 2021 and $11,676,000 at December 31, 2020. The decrease volatility in stockholders' equity in 2022 from the change in related to accumulated other comprehensive (loss) income resulted loss from an increase in interest rates. Changes in accumulated other comprehensive (loss) income are excluded from earnings and directly increase or decrease stockholders' equity. If available-for-sale debt securities are deemed has been caused by significant fluctuations in interest rates including overall significant increases in rates as compared to be other-than-temporarily impaired, unrealized losses are recorded as a charge against earnings, and amortized cost for market rates when most of the affected Corporation's securities is reduced. were purchased. The securities section of Management's Discussion and Analysis and Note 7 6 to the consolidated financial statements provide additional information concerning management's evaluation of available-for-sale information management considered in evaluating debt and equity securities for other-than-temporary impairment credit losses at December 31, 2022 December 31, 2023.

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ITEM 7A. QUANTITATIVE QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices of the Corporation's financial instruments. In addition to the effects of interest rates, the market prices of the Corporation's available-for-sale debt securities are affected by fluctuations in the risk premiums (amounts of spread over risk-free rates) demanded by investors. Management attempts to limit the risk that economic conditions would force the Corporation to sell securities for realized losses by maintaining a strong capital position (discussed in the "Stockholders' Equity and Capital Adequacy" section of Management's Discussion and Analysis) and ample sources of liquidity (discussed in the "Liquidity" section of Management's Discussion and Analysis).

The Corporation's major category of market risk, interest rate risk, is discussed in the following section.

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INTEREST RATE RISK

The Corporation uses a simulation model to calculate the potential effects of interest rate fluctuations on net interest income and the economic value of equity. For purposes of these calculations, the economic value of equity includes the discounted present values of financial instruments, such as securities, loans, deposits and borrowed funds, and the book values of nonfinancial assets and liabilities, such as premises and equipment and accrued expenses. The model measures and projects the amount of potential changes in net interest income, and calculates the discounted present value of anticipated cash flows of financial instruments, assuming an immediate increase or decrease in interest rates. Management ordinarily runs a variety of scenarios within a range of plus or minus 100-400 basis points of current rates.

The projected results based on the model includes the impact of estimates, at each level of interest rate change, regarding cash flows from principal repayments on loans and mortgage-backed securities and call activity on other investment securities. Further, the projected results are impacted by assumptions regarding the run-off and the extent of sensitivity to interest rate changes of deposits with no stated maturity (checking, savings and money market accounts). Actual results could vary significantly from these estimates, which could result in significant differences in the calculations of projected changes in net interest income and economic value of equity. Also, the model does not make estimates related to changes in the composition of the deposit portfolio that could occur due to rate competition, and the table does not necessarily reflect changes that management would make to realign the portfolio as a result of changes in interest rates.

The Corporation's Board of Directors has established policy guidelines for acceptable levels of interest rate risk, based on an immediate increase or decrease in interest rates. The policy limits acceptable fluctuations in net interest income from the baseline (flat rates) one-year scenario and variances in the economic value of equity from the baseline values based on current rates.

Table XIII, which follows this discussion, is based on the results of calculations performed using the simulation model as of December 31, 2023 and 2022. In the analysis based on December 31, 2023 data, the amounts of net interest income decrease, as compared to the amounts based on current interest rates, in both the upward and downward rate scenarios. Further, the economic value of equity is modeled to decrease in both the rising and falling rate scenarios. The results based on December 31, 2023 data as presented in Table XIII are significantly different from the results based on the modeling performed using

December 31, 2022 and December 31, 2021. The table shows data which showed the Corporation's net interest income profile is asset-sensitive, meaning net to be asset-sensitive. In the analysis based on December 31, 2023 data, management assumed that, in rising rate scenarios, the average rate to be paid on interest income checking, savings and money market accounts would increase by a higher percentage of the baseline scenario as compared to the assumptions used in the December 31, 2022 analysis. This change reflects management's assessment that, in light of significant increases in short-term interest rates that have occurred over the upward rate course of 2022 and 2023, the Corporation's deposit rates would increase to a greater extent if such scenarios and decreases would occur. The change in results also reflects changes in deposit mix, as the carrying amount of total deposits without stated maturities was $112.0 million lower at December 31, 2023 as compared to December 31, 2022, while time deposits were higher by $129.3 million. Further, results in the downward rate scenarios. scenarios reflect limitations on the benefit of falling rates on some deposit types due to a 0% assumed floor. The table Table also shows that as of the respective dates, despite the impact of the modeling changes and changes in deposit mix, the changes in net interest income and changes in economic value were within the policy limits in all scenarios.

Under U.S. generally accepted accounting principles, available-for-sale debt securities are carried at fair value as of each balance sheet date. The difference between amortized cost and fair value of available-for-sale debt securities, net of deferred income tax, is included in accumulated other comprehensive income (loss) within stockholders' equity. Increases in interest rates have caused the fair value of the Corporation's available-for-sale debt securities to decrease, resulting in an accumulated other comprehensive loss of $50.4 million $38.9 million at December 31, 2022 December 31, 2023. In contrast, most of the Corporation's other financial instruments, including loans receivable (held for investment), deposits and borrowed funds are carried on the balance sheet at historical cost without adjustment for the impact of changes in interest rates.

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As noted above, for purposes of calculations based on the simulation model, the discounted present values of all of the Corporation's financial instruments are estimated for each interest rate shock scenario. As shown in Table XIII, the results of the simulation model indicate the economic value of equity would increase by 1.1% or less in all upward rate shock scenarios except for the +200 basis point scenario for which it would decrease by 0.1%. The economic value of equity would decrease in the downward rate shock scenarios. In

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the upward rate shock scenarios, although the value of securities and fixed rate loans would decline, the magnitude of the projected economic benefit from changes in the value of deposits would approximately offset the negative impact related to securities and loans. Conversely, in the downward rate shock scenarios, the magnitude of the negative impact to the value of nonmaturity deposits would exceed the amount of appreciation in the value of securities and loans.

TABLE XIII – THE EFFECT OF HYPOTHETICAL CHANGES IN INTEREST RATES

December 31, 2022 Data

December 31, 2023 Data

(In Thousands)	Period Ending December 31, 2023					Period Ending December 31, 2024			
Basis Point Change in Rates	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change	NII Risk Limit	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change
+400	$ 131,145	$ 34,767	$ 96,378	8.9 %	25.0 %	$ 148,407	$ 81,707	$ 66,700	(21.5)%
+300	125,127	30,816	94,311	6.6 %	20.0 %	143,333	70,165	73,168	(13.9)%
+200	119,561	26,864	92,697	4.8 %	15.0 %	138,291	59,859	78,432	(7.7)%
+100	113,703	22,912	90,791	2.6 %	10.0 %	133,224	50,797	82,427	(3.0)%
0	107,451	18,961	88,490	0.0 %	0.0 %	127,920	42,979	84,941	0.0 %
-100	101,048	15,516	85,532	(3.3)%	10.0 %	122,446	37,701	84,745	(0.2)%

Basis Point Change in Rates	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change	NII Risk Limit	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change
-200	94,854	13,240	81,614	(7.8)%	15.0 %	116,922	32,462	84,460	(0.6)%
-300						110,919	27,710	83,209	(2.0)%
-400						104,495	23,067	81,428	(4.1)%

	Economic Value of Equity at December 31, 2022			Economic Value of Equity at December 31, 2023		
Basis Point Change in Rates	Present Value Equity	Present Value % Change	Present Value Risk Limit	Present Value Equity	Present Value % Change	Present Value Risk Limit
+400	$ 498,368	0.3 %	50.0 %	$ 330,130	(21.2)%	50.0 %
+300	496,186	(0.1)%	45.0 %	359,302	(14.3)%	45.0 %
+200	501,422	1.0 %	35.0 %	385,045	(8.1)%	35.0 %
+100	501,991	1.1 %	25.0 %	405,178	(3.3)%	25.0 %
0	496,650	0.0 %	0.0 %	419,199	0.0 %	0.0 %
-100	485,332	(2.3)%	25.0 %	406,957	(2.9)%	25.0 %
-200	468,195	(5.7)%	35.0 %	406,145	(3.1)%	35.0 %
-300				385,859	(8.0)%	45.0 %
-400				363,763	(13.2)%	50.0 %

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December 31, 2021 Data
(In Thousands)

	Period Ending December 31, 2022				
Basis Point Change in Rates	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change	NII Risk Limit
+400	$ 98,839	$ 18,142	$ 80,697	19.1 %	25.0 %
+300	92,438	15,061	77,377	14.2 %	20.0 %
+200	86,112	11,981	74,131	9.4 %	15.0 %
+100	79,740	8,900	70,840	4.5 %	10.0 %
0	73,536	5,760	67,776	0.0 %	0.0 %
-100	70,118	4,820	65,298	(3.7)%	10.0 %
-200	68,824	4,503	64,321	(5.1)%	15.0 %

	Economic Value of Equity at December 31, 2021		
Basis Point Change in Rates	Present Value Equity	Present Value % Change	Present Value Risk Limit
+400	$ 471,951	14.1 %	50.0 %
+300	459,810	11.1 %	45.0 %
+200	447,354	8.1 %	35.0 %
+100	431,856	4.4 %	25.0 %
0	413,767	0.0 %	0.0 %
-100	388,721	(6.1)%	25.0 %
-200	365,331	(11.7)%	35.0 %

December 31, 2022 Data
(In Thousands)

Period Ending December 31, 2023

Basis Point Change in Rates	Interest Income	Interest Expense	Net Interest Income (NII)	NII % Change	NII Risk Limit
+400	$ 131,145	$ 34,767	$ 96,378	8.9 %	25.0 %
+300	125,127	30,816	94,311	6.6 %	20.0 %
+200	119,561	26,864	92,697	4.8 %	15.0 %
+100	113,703	22,912	90,791	2.6 %	10.0 %
0	107,451	18,961	88,490	0.0 %	0.0 %
-100	101,048	15,516	85,532	(3.3)%	10.0 %
-200	94,854	13,240	81,614	(7.8)%	15.0 %
-300	89,405	11,325	78,080	(11.8)%	20.0 %
-400	85,076	9,439	75,637	(14.5)%	25.0 %

	Economic Value of Equity at December 31, 2022		
Basis Point Change in Rates	Present Value Equity	Present Value % Change	Present Value Risk Limit
+400	$ 498,368	0.3 %	50.0 %
+300	496,186	(0.1)%	45.0 %
+200	501,422	1.0 %	35.0 %
+100	501,991	1.1 %	25.0 %
0	496,650	0.0 %	0.0 %
-100	485,332	(2.3)%	25.0 %
-200	468,195	(5.7)%	35.0 %
-300	445,129	(10.4)%	45.0 %
-400	417,505	(15.9)%	50.0 %

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share and Per Share Data)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
ASSETS				
Cash and due from banks:				
Noninterest-bearing	$ 25,811	$ 16,729	$ 24,855	$ 25,811
Interest-bearing	29,237	88,219	32,023	29,237
Total cash and due from banks	55,048	104,948	56,878	55,048
Available-for-sale debt securities, at fair value	498,033	517,679	415,755	498,033
Loans receivable	1,740,040	1,564,849	1,848,139	1,740,040
Allowance for loan losses	(16,615)	(13,537)		
Allowance for credit losses			(19,208)	(16,615)
Loans, net	1,723,425	1,551,312	1,828,931	1,723,425

Bank-owned life insurance	31,214	30,669	63,674	31,214
Accrued interest receivable	8,653	7,235	9,140	8,653
Bank premises and equipment, net	21,574	20,683	21,632	21,574
Foreclosed assets held for sale	275	684	478	275
Deferred tax asset, net	20,884	5,887	17,441	20,884
Goodwill	52,505	52,505	52,505	52,505
Core deposit intangibles, net	2,877	3,316	2,469	2,877
Other assets	39,819	32,730	46,681	39,819
TOTAL ASSETS	$ 2,454,307	$ 2,327,648	$ 2,515,584	$ 2,454,307
LIABILITIES				
Deposits:				
Noninterest-bearing	$ 563,843	$ 521,206	$ 490,554	$ 563,843
Interest-bearing	1,433,750	1,403,854	1,524,252	1,433,750
Total deposits	1,997,593	1,925,060	2,014,806	1,997,593
Short-term borrowings	80,062	1,803	33,874	80,062
Long-term borrowings - FHLB advances	62,347	28,042	138,337	62,347
Senior notes, net	14,765	14,701	14,831	14,765
Subordinated debt, net	24,607	33,009	24,717	24,607
Accrued interest and other liabilities	25,608	23,628	26,638	25,608
TOTAL LIABILITIES	2,204,982	2,026,243	2,253,203	2,204,982
STOCKHOLDERS' EQUITY				
Preferred stock, $1,000 par value; authorized 30,000 shares; $1,000 liquidation				
preference per share; no shares issued	0	0	0	0
Common stock, par value $1.00 per share; authorized 30,000,000 shares;				
issued 16,030,172 and outstanding 15,518,819 at December 31, 2022;				
issued 16,030,172 and outstanding 15,759,090 at December 31, 2021	16,030	16,030		
issued 16,030,172 and outstanding 15,295,135 at December 31, 2023;				
issued 16,030,172 and outstanding 15,518,819 at December 31, 2022			16,030	16,030
Paid-in capital	143,950	144,453	144,388	143,950
Retained earnings	151,743	142,612	157,028	151,743
Treasury stock, at cost; 511,353 shares at December 31, 2022 and 271,082				
shares at December 31, 2021	(12,520)	(6,716)		
Accumulated other comprehensive (loss) income	(49,878)	5,026		
Treasury stock, at cost; 735,037 shares at December 31, 2023 and 511,353				
shares at December 31, 2022			(16,628)	(12,520)
Accumulated other comprehensive loss			(38,437)	(49,878)
TOTAL STOCKHOLDERS' EQUITY	249,325	301,405	262,381	249,325
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 2,454,307	$ 2,327,648	$ 2,515,584	$ 2,454,307

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated Statements of Income

	Years Ended December 31,			Years Ended December 31,		
(In Thousands Except Per Share Data)	**2022**	**2021**	**2020**			
(In Thousands, Except Per Share Data)				**2023**	**2022**	**2021**
INTEREST INCOME						
Interest and fees on loans:						
Taxable	$ 78,599	$ 74,549	$ 67,384	$ 98,854	$78,599	$74,549
Tax-exempt	1,965	1,770	1,768	2,225	1,965	1,770
Income from available-for-sale debt securities:						
Taxable	8,360	5,114	5,534	8,555	8,360	5,114
Tax-exempt	3,001	2,684	2,143	2,427	3,001	2,684
Other interest and dividend income	722	384	331	1,443	722	384
Total interest and dividend income	92,647	84,501	77,160	113,504	92,647	84,501
INTEREST EXPENSE						
Interest on deposits	6,638	4,538	7,231	24,233	6,638	4,538
Interest on short-term borrowings	429	23	367	3,240	429	23
Interest on long-term borrowings - FHLB advances	896	399	1,291	4,230	896	399
Interest on senior notes, net	477	293	0	479	477	293
Interest on subordinated debt, net	1,079	1,309	706	922	1,079	1,309
Total interest expense	9,519	6,562	9,595	33,104	9,519	6,562
Net interest income	83,128	77,939	67,565	80,400	83,128	77,939
Provision for loan losses	7,255	3,661	3,913			
Net interest income after provision for loan losses	75,873	74,278	63,652			
Provision for credit losses				186	7,255	3,661
Net interest income after provision for credit losses				80,214	75,873	74,278
NONINTEREST INCOME						
Trust revenue	6,994	7,234	6,321	7,413	6,994	7,234
Brokerage and insurance revenue	2,291	1,860	1,486	1,675	2,291	1,860
Service charges on deposit accounts	5,019	4,633	4,231	5,567	5,019	4,633
Interchange revenue from debit card transactions	4,148	3,855	3,094	4,160	4,148	3,855
Net gains from sale of loans	757	3,428	5,403	723	757	3,428
Loan servicing fees, net	960	694	(61)	602	960	694
Increase in cash surrender value of life insurance	545	573	515	2,703	545	573
Other noninterest income	3,698	3,580	3,355	4,610	3,698	3,580
Realized gains on available-for-sale debt securities, net	20	24	169			
Realized (losses) gains on available-for-sale debt securities, net				(3,036)	20	24
Total noninterest income	24,432	25,881	24,513	24,417	24,432	25,881
NONINTEREST EXPENSE						
Salaries and employee benefits	41,833	37,603	33,062	44,195	41,833	37,603
Net occupancy and equipment expense	5,533	4,984	4,461	5,357	5,533	4,984
Data processing and telecommunications expense	6,806	5,903	5,316	7,582	6,806	5,903
Automated teller machine and interchange expense	1,601	1,433	1,231	1,682	1,601	1,433
Pennsylvania shares tax	1,956	1,951	1,689	1,602	1,956	1,951
Professional fees	2,005	2,243	1,692	2,497	2,005	2,243
Loss on prepayment of borrowings	0	0	1,636			
Merger-related expenses	0	0	7,708			
Other noninterest expense	8,221	8,355	8,158	11,233	8,221	8,355
Total noninterest expense	67,955	62,472	64,953	74,148	67,955	62,472
Income before income tax provision	32,350	37,687	23,212	30,483	32,350	37,687
Income tax provision	5,732	7,133	3,990	6,335	5,732	7,133
NET INCOME	$ 26,618	$ 30,554	$ 19,222	$ 24,148	$26,618	$30,554
EARNINGS PER COMMON SHARE - BASIC	$ 1.71	$ 1.92	$ 1.30	$ 1.57	$ 1.71	$ 1.92

EARNINGS PER COMMON SHARE - DILUTED	$ 1.71	$ 1.92	$ 1.30	$ 1.57	$ 1.71	$ 1.92

The accompanying notes are an integral part of consolidated financial statements.

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Consolidated Statements of Comprehensive Income(Loss) Income

	Years Ended December 31,			Years Ended December 31,		
(In Thousands)	**2022**	**2021**	**2020**	**2023**	**2022**	**2021**
Net income	$ 26,618	$ 30,554	$ 19,222	$24,148	$ 26,618	$30,554
Available-for-sale debt securities:						
Unrealized holding (losses) gains on available-for-sale debt securities	(69,828)	(8,669)	10,504			
Reclassification adjustment for gains realized in income	(20)	(24)	(169)			
Other comprehensive (loss) income on available-for-sale debt securities	(69,848)	(8,693)	10,335			
Unrealized holding gains (losses) on available-for-sale debt securities				11,512	(69,828)	(8,669)
Reclassification adjustment for losses (gains) realized in income				3,036	(20)	(24)
Other comprehensive income (loss) on available-for-sale debt securities				14,548	(69,848)	(8,693)
Unfunded pension and postretirement obligations:						
Changes from plan amendments and actuarial gains and losses	389	140	(49)	(9)	389	140
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost	(42)	(17)	(29)	(56)	(42)	(17)
Other comprehensive income (loss) on pension and postretirement obligations	347	123	(78)			
Other comprehensive (loss) income on pension and postretirement obligations				(65)	347	123
Other comprehensive (loss) income before income tax	(69,501)	(8,570)	10,257			
Income tax related to other comprehensive loss (income)	14,597	1,801	(2,153)			
Other comprehensive income (loss) before income tax				14,483	(69,501)	(8,570)
Income tax related to other comprehensive (income) loss				(3,042)	14,597	1,801
Net other comprehensive (loss) income	(54,904)	(6,769)	8,104			
Net other comprehensive income (loss)				11,441	(54,904)	(6,769)
Comprehensive (loss) income	$ (28,286)	$ 23,785	$ 27,326			
Comprehensive income (loss)				$35,589	$(28,286)	$23,785

The accompanying notes are an integral part of the consolidated financial statements.

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Consolidated Statements of Changes in Stockholders' Equity
(In Thousands Except Share and Per Share Data)

	Common Shares	Treasury Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2020	**13,934,996**	**218,551**	**$ 13,935**	**$ 104,519**	**$ 126,480**	**$ 3,691**	**$ (4,173)**	**$ 244,452**
Net income					19,222			19,222
Other comprehensive income, net						8,104		8,104
Cash dividends declared on common stock, $1.08 per share					(15,999)			(15,999)
Shares issued for dividend reinvestment plan		(77,525)		34			1,496	1,530
Shares issued from treasury and redeemed related to exercise of stock options		(10,407)		(70)			201	131
Restricted stock granted		(70,940)		(1,370)			1,370	0
Forfeiture of restricted stock		5,290		100			(100)	0
Stock-based compensation expense				1,050				1,050
Purchase of restricted stock for tax withholding		5,862					(163)	(163)
Shares issued for acquisition of Covenant Financial, Inc., net of equity issuance costs	2,047,819		2,048	39,381				41,429
Balance, December 31, 2020	**15,982,815**	**70,831**	**15,983**	**143,644**	**129,703**	**11,795**	**(1,369)**	**299,756**
Net income					30,554			30,554
Other comprehensive loss, net						(6,769)		(6,769)
Cash dividends declared on common stock, $1.11 per share					(17,645)			(17,645)
Shares issued for dividend reinvestment plan	36,368	(31,877)	36	845			788	1,669
Shares issued from treasury and redeemed related to exercise of stock options		(13,169)		(33)			245	212
Restricted stock granted	10,989	(67,402)	11	(1,319)			1,308	0
Forfeiture of restricted stock		5,290		102			(102)	0
Stock-based compensation expense				1,214				1,214
Purchase of restricted stock for tax withholding		8,350					(174)	(174)
Treasury stock purchases		299,059					(7,412)	(7,412)
Balance, December 31, 2021	**16,030,172**	**271,082**	**16,030**	**144,453**	**142,612**	**5,026**	**(6,716)**	**301,405**
Net income					26,618			26,618
Other comprehensive loss, net						(54,904)		(54,904)
Cash dividends declared on common stock, $1.12 per share					(17,487)			(17,487)
Shares issued for dividend reinvestment plan		(65,470)		8			1,614	1,622
Shares issued from treasury and redeemed related to exercise of stock options		(9,178)		(67)			227	160
Restricted stock granted		(78,243)		(1,932)			1,932	0
Forfeiture of restricted stock		10,782		228			(228)	0
Stock-based compensation expense				1,260				1,260
Purchase of restricted stock for tax withholding		6,964					(175)	(175)
Treasury stock purchases		375,416					(9,174)	(9,174)
Balance, December 31, 2022	**16,030,172**	**511,353**	**$ 16,030**	**$ 143,950**	**$ 151,743**	**$ (49,878)**	**$ (12,520)**	**$ 249,325**

	Common Shares	Treasury Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2021	**15,982,815**	**70,831**	**$ 15,983**	**$ 143,644**	**$ 129,703**	**$ 11,795**	**$ (1,369)**	**$ 299,756**

Net income					30,554			30,554
Other comprehensive loss, net						(6,769)		(6,769)
Cash dividends declared on common stock, $1.11 per share					(17,645)			(17,645)
Shares issued for dividend reinvestment plan	36,368	(31,877)	36	845			788	1,669
Shares issued from treasury and redeemed related to exercise of stock options		(13,169)		(33)			245	212
Restricted stock granted	10,989	(67,402)	11	(1,319)			1,308	0
Forfeiture of restricted stock		5,290		102			(102)	0
Stock-based compensation expense				1,214				1,214
Purchase of restricted stock for tax withholding		8,350					(174)	(174)
Treasury stock purchases		299,059					(7,412)	(7,412)
Balance, December 31, 2021	**16,030,172**	**271,082**	**16,030**	**144,453**	**142,612**	**5,026**	**(6,716)**	**301,405**
Net income					26,618			26,618
Other comprehensive loss, net						(54,904)		(54,904)
Cash dividends declared on common stock, $1.12 per share					(17,487)			(17,487)
Shares issued for dividend reinvestment plan		(65,470)		8			1,614	1,622
Shares issued from treasury and redeemed related to exercise of stock options		(9,178)		(67)			227	160
Restricted stock granted		(78,243)		(1,932)			1,932	0
Forfeiture of restricted stock		10,782		228			(228)	0
Stock-based compensation expense				1,260				1,260
Purchase of restricted stock for tax withholding		6,964					(175)	(175)
Treasury stock purchases		375,416					(9,174)	(9,174)
Balance, December 31, 2022	**16,030,172**	**511,353**	**16,030**	**143,950**	**151,743**	**(49,878)**	**(12,520)**	**249,325**
Adoption of ASU 2016-13 (CECL)					(1,652)			(1,652)
Net income					24,148			24,148
Other comprehensive income, net						11,441		11,441
Cash dividends declared on common stock, $1.12 per share					(17,211)			(17,211)
Shares issued for dividend reinvestment plan		(81,930)		(246)			1,888	1,642
Shares issued from treasury and redeemed related to exercise of stock options		(612)		(30)			30	0
Restricted stock granted		(53,788)		(1,314)			1,314	0
Forfeiture of restricted stock		25,261		556			(556)	0
Stock-based compensation expense				1,472				1,472
Purchase of restricted stock for tax withholding		9,453					(219)	(219)
Treasury stock purchases		325,300					(6,565)	(6,565)
Balance, December 31, 2023	**16,030,172**	**735,037**	**$ 16,030**	**$ 144,388**	**$ 157,028**	**$ (38,437)**	**$ (16,628)**	**$ 262,381**

The accompanying notes are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(In Thousands)	**2022**	**2021**	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:			

Net income	$ 26,618	$ 30,554	$ 19,222
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	7,255	3,661	3,913
Loss on prepayment of borrowings	0	0	1,636
Realized gains on available-for-sale debt securities, net	(20)	(24)	(169)
Net amortization of securities	2,760	2,204	1,570
Increase in cash surrender value of life insurance	(545)	(573)	(515)
Depreciation and amortization of bank premises and equipment	2,389	2,130	1,981
Net accretion of purchase accounting adjustments	(1,181)	(2,124)	(2,524)
Stock-based compensation	1,260	1,214	1,050
Deferred income taxes	(400)	(1,381)	(361)
(Increase) decrease in fair value of servicing rights	(126)	68	576
Gains on sales of loans, net	(757)	(3,428)	(5,403)
Origination of loans held for sale	(26,231)	(105,523)	(158,909)
Proceeds from sales of loans held for sale	27,636	107,797	163,149
(Increase) decrease in accrued interest receivable and other assets	(3,532)	186	(2,645)
(Decrease) increase in accrued interest payable and other liabilities	(589)	210	2,473
Other	62	(127)	(260)
Net Cash Provided by Operating Activities	34,599	34,844	24,784
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash and cash equivalents provided by business combination	0	0	75,955
Purchase of certificates of deposit	(250)	(4,500)	(2,500)
Proceeds from maturities of certificates of deposit	2,000	1,240	740
Proceeds from sales of available-for-sale debt securities	4,100	2,027	28,941
Proceeds from calls and maturities of available-for-sale debt securities	58,673	61,684	94,486
Purchase of available-for-sale debt securities	(113,715)	(243,925)	(105,354)
Redemption of Federal Home Loan Bank of Pittsburgh stock	11,604	2,517	8,496
Purchase of Federal Home Loan Bank of Pittsburgh stock	(16,459)	(2,110)	(5,146)
Net (increase) decrease in loans	(178,203)	78,746	1,564
Proceeds from bank owned life insurance	0	287	0
Proceeds from sales of premises and equipment	0	627	0
Purchase of premises and equipment	(3,288)	(1,864)	(3,137)
Proceeds from sale of foreclosed assets	647	1,148	2,262
Other	203	228	273
Net Cash (Used in) Provided by Investing Activities	(234,688)	(103,895)	96,580
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	72,689	105,381	86,941
Net increase (decrease) in short-term borrowings	78,259	(18,154)	(99,969)
Proceeds from long-term borrowings - FHLB advances	50,000	0	25,891
Repayments of long-term borrowings - FHLB advances	(15,455)	(26,095)	(54,831)
Proceeds from issuance of senior notes, net of issuance costs	0	14,663	0
Proceeds from issuance of subordinated debt, net of issuance costs	0	24,437	0
Redemption of subordinated debt	(8,500)	(8,000)	0
Sale of treasury stock	160	212	131
Purchases of treasury stock	(9,349)	(7,586)	(163)
Common dividends paid	(15,865)	(15,976)	(14,469)
Net Cash Provided by (Used in) Financing Activities	151,939	68,882	(56,469)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,150)	(169)	64,895
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	95,848	96,017	31,122
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 47,698	$ 95,848	$ 96,017

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years Ended December 31,		
(In Thousands)	2022	2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Increase (decrease) in accrued purchase of available-for-sale debt securities	$ 2,000	$ (994)	$ 994
Accrued income from life insurance claim	$ 0	$ 0	$ 279
Assets acquired through foreclosure of real estate loans	$ 51	$ 394	$ 273
Leased assets obtained in exchange for new operating lease liabilities	$ 904	$ 739	$ 167
Interest paid	$ 9,497	$ 8,174	$ 10,742
Income taxes paid	$ 5,561	$ 10,098	$ 3,137
NONCASH INVESTING ASSETS ACQUIRED IN BUSINESS COMBINATION:			
Available-for-sale debt securities	$ 0	$ 0	$ 10,754
Loans receivable	$ 0	$ 0	$ 464,236
Bank-owned life insurance	$ 0	$ 0	$ 11,170
Foreclosed assets held for sale	$ 0	$ 0	$ 860
NONCASH FINANCING ACTIVITY RELATED TO BUSINESS COMBINATION:			
Common stock issued	$ 0	$ 0	$ 41,429
Liabilities assumed:			
Deposits	$ 0	$ 0	$ 481,796
Short-term borrowings	$ 0	$ 0	$ 33,950
Long-term borrowings	$ 0	$ 0	$ 30,025
Subordinated debt	$ 0	$ 0	$ 10,091

	Years Ended December 31,		
(In Thousands)	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 24,148	$ 26,618	$ 30,554
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	186	7,255	3,661
Realized losses (gains) on available-for-sale debt securities, net	3,036	(20)	(24)
Net amortization of securities	2,062	2,760	2,204
Increase in cash surrender value of life insurance	(2,703)	(545)	(573)
Depreciation and amortization of bank premises and equipment	2,151	2,389	2,130
Net accretion of purchase accounting adjustments	(288)	(1,181)	(2,124)
Stock-based compensation	1,472	1,260	1,214
Deferred income taxes	836	(400)	(1,381)
Decrease (increase) in fair value of servicing rights	200	(126)	68
Gains on sales of loans, net	(723)	(757)	(3,428)
Origination of loans held for sale	(24,630)	(26,231)	(105,523)
Proceeds from sales of loans held for sale	25,106	27,636	107,797
(Increase) decrease in accrued interest receivable and other assets	(1,400)	(3,532)	186
Increase (decrease) in accrued interest payable and other liabilities	4,161	(589)	210
Other	(66)	62	(127)
Net Cash Provided by Operating Activities	33,548	34,599	34,844
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of certificates of deposit	0	(250)	(4,500)

Proceeds from maturities of certificates of deposit	3,250	2,000	1,240
Proceeds from sales of available-for-sale debt securities	60,819	4,100	2,027
Proceeds from calls and maturities of available-for-sale debt securities	52,323	58,673	61,684
Purchase of available-for-sale debt securities	(23,414)	(113,715)	(243,925)
Redemption of Federal Home Loan Bank of Pittsburgh stock	22,634	11,604	2,517
Purchase of Federal Home Loan Bank of Pittsburgh stock	(23,680)	(16,459)	(2,110)
Purchase of Federal Reserve Bank stock	(6,252)	0	0
Net (increase) decrease in loans	(107,356)	(178,203)	78,746
Purchase of bank-owned life insurance	(30,000)	0	0
Proceeds from bank-owned life insurance	363	0	287
Proceeds from sales of premises and equipment	0	0	627
Purchase of premises and equipment	(2,265)	(3,288)	(1,864)
Proceeds from sale of foreclosed assets	267	647	1,148
Other	109	203	228
Net Cash Used in Investing Activities	(53,202)	(234,688)	(103,895)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	17,234	72,689	105,381
Net (decrease) increase in short-term borrowings	(46,188)	78,259	(18,154)
Proceeds from long-term borrowings - FHLB advances	85,436	50,000	0
Repayments of long-term borrowings - FHLB advances	(9,395)	(15,455)	(26,095)
Proceeds from issuance of senior notes, net of issuance costs	0	0	14,663
Proceeds from issuance of subordinated debt, net of issuance costs	0	0	24,437
Redemption of subordinated debt	0	(8,500)	(8,000)
Sale of treasury stock	0	160	212
Purchases of treasury stock	(6,784)	(9,349)	(7,586)
Common dividends paid	(15,569)	(15,865)	(15,976)
Net Cash Provided by Financing Activities	24,734	151,939	68,882
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,080	(48,150)	(169)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	47,698	95,848	96,017
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,778	$ 47,698	$ 95,848
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
(Decrease) increase in accrued purchase of available-for-sale debt securities	$ (2,000)	$ 2,000	$ (994)
Assets acquired through foreclosure of real estate loans	$ 423	$ 51	$ 394
Leased assets obtained in exchange for new operating lease liabilities	$ 0	$ 904	$ 739
Interest paid	$ 31,936	$ 9,497	$ 8,174
Income taxes paid	$ 6,383	$ 5,561	$ 10,098

The accompanying notes are an integral part of the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION – The consolidated financial statements include the accounts of Citizens & Northern Corporation and its subsidiaries, Citizens & Northern Bank (“C&N Bank”), Bucktail Life Insurance Company and Citizens & Northern Investment Corporation (collectively, “Corporation”), as well as C&N

Bank's wholly-owned subsidiaries, C&N Financial Services, LLC and Northern Tier Holding LLC. C&N Bank is the sole member of C&N Financial Services, LLC and Northern Tier Holding LLC. All material intercompany balances and transactions have been eliminated in consolidation.

NATURE OF OPERATIONS – The Corporation's principal office is located in Wellsboro, Pennsylvania. The Corporation's operations are conducted in the Northern tier/Northcentral region of Pennsylvania and Southern tier of New York, Southeastern Pennsylvania (offices in Bucks and Chester Counties) and Southcentral Pennsylvania (offices in York and Lancaster counties).

The Corporation provides banking and related services to individual and corporate customers. Lending products include commercial, mortgage and consumer loans, as well as specialized instruments such as commercial letters-of-credit. Deposit products include various types of checking accounts, passbook and statement savings, money market accounts, interest checking accounts, Individual Retirement Accounts and certificates of deposit.

The Corporation provides wealth management services through its trust department, including administration of trusts and estates, retirement plans, and other employee benefit plans, and investment management services. The Corporation offers a variety of personal and commercial insurance products through C&N Financial Services, LLC. C&N Financial Services, LLC also offers mutual funds, annuities, educational savings accounts and other investment products through registered agents.

Management has determined that the Corporation has one reportable segment, "Community Banking." All of the Corporation's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Corporation supports the others.

The Corporation is subject to competition from other financial institutions. It is also subject to regulation by certain federal and state agencies and undergoes periodic examination by those regulatory authorities.

USE OF ESTIMATES – The financial information is presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. In addition, these estimates and assumptions affect revenues and expenses in the financial statements and as such, actual results could differ from those estimates.

Material estimates that are particularly susceptible to change include: (1) the allowance for loan credit losses and (2) fair values of available-for-sale debt securities based on estimates from independent valuation services or from brokers.

INVESTMENT SECURITIES – Investment securities are accounted for as follows:

Available-for-sale debt securities – includes debt securities not classified as held-to-maturity or trading. Such securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported separately through accumulated other comprehensive income (loss), net of tax. Premiums on non-amortizing available-for-sale debt securities are amortized using the level yield method to the earliest call date, while discounts on non-amortizing securities are amortized to the maturity date. Premiums and discounts on amortizing securities (mortgage-backed securities) are amortized using the level yield method over the remaining contractual life of the securities, adjusted for actual prepayments. Realized gains and losses on sales of available-for-sale securities are computed on the basis of specific identification of the adjusted cost of each security. Securities within the available-for-sale portfolio may be used as part of the Corporation's asset and liability management strategy and may be sold in response to changes in interest rate risk, prepayment risk or other factors.

Other-than-temporary impairment Allowance for Credit Losses- Available-for-Sale Debt Securities – Credit-related declines in the fair value of For available-for-sale debt securities, that are deemed to be other-than-temporary are reflected management evaluates all investments in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers (1) the length of time an unrealized loss position on a quarterly basis, and the extent to which the fair value has been less than cost, (2) the financial condition

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and near-term prospects of the issuer, (3) the intent and ability of more frequently when economic or market conditions warrant such evaluation. If the Corporation to retain its investment in has the issuer for a period of time sufficient to allow for any anticipated recovery in fair value, and (4) whether the Corporation intends intent to sell the security or if it is more likely than not that the Corporation will be required to sell the security, before the recovery security is written down to fair value and the entire loss is recorded in earnings. If either of its the above criteria is not met, the Corporation evaluates whether the decline in fair value is the result of credit losses or other factors. The Corporation has elected the practical expedient of zero credit loss estimates for securities issued or guaranteed by U.S. Government entities or agencies. In making the credit loss assessment of securities not issued or guaranteed by U.S. Government entities or agencies, the Corporation may consider various factors including the extent to which fair value is less than amortized cost, basis. The credit-related impairment is recognized performance on any underlying collateral, downgrades in earnings the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and is adverse conditions specifically related to the difference between security. If the assessment indicates that a security's amortized cost basis and credit loss exists, the present value of expected future cash flows discounted at expected to be collected are compared to the security's effective interest rate. For debt securities classified amortized cost basis of the security and any excess is recorded as held-to-maturity, if any, an allowance for credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of noncredit-related impairment unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income and accreted over (loss).

Changes in the remaining life allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit losses when management believes an available-for-sale debt security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit losses related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt security as an increase in securities totaled $2,018,000 at December 31, 2023 and was excluded from the carrying value estimate of the security. credit losses.

Marketable equity security – The marketable equity security is carried at fair value with unrealized gains and losses included in other noninterest income in the consolidated statements of income.

Restricted equity securities – Restricted equity securities consist primarily of Federal Home Loan Bank of Pittsburgh and Federal Reserve Bank of Philadelphia stock, and are carried at cost and evaluated for impairment. Holdings of restricted equity securities are included in other assets in the consolidated balance sheets, and dividends received on restricted securities are included in Other Income other income in the consolidated statements of income.

DERIVATIVES – The Corporation is a party to derivative financial instruments. These financial instruments consist of interest rate swap agreements and risk participation agreements (RPAs) which contain master netting and collateral provisions designed to protect the party at risk.

Interest rate swaps with commercial banking customers were executed to enable the commercial banking customers to effectively exchange their floating interest rate exposures on loans into fixed interest rate exposures. Those interest rate swaps have been simultaneously economically hedged by offsetting interest rate swaps with a third party such that the Corporation has effectively exchanged its fixed interest rate exposures for floating rate exposures. These derivatives are not designated as hedges and are not speculative. Changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. Interest differentials paid or received under the swap agreements are reflected as adjustments to interest and fees on loans. The fair value of interest rate derivatives is included in the balance of other assets and other liabilities in the consolidated balance sheets.

The Corporation has entered into an RPA with another institutions institution as a means to assume a portion of the credit risk associated with a loan structure which includes a derivative instrument, in exchange for fee income commensurate with the risk assumed. This type of derivative is referred to as an "RPA In." The fair value of the RPA In is included in accrued interest and other liabilities in the consolidated balance sheets.

In an effort to reduce the credit risk associated with an interest rate swap agreement with a borrower for whom the Corporation has provided a loan structured with a derivative, the Corporation purchased an RPA from an institution participating in the facility in exchange for a fee commensurate with the risk shared. This type of derivative is referred to as an "RPA Out." The fair value of the RPA Out is included in other assets in the consolidated balance sheets.

Fees paid and received associated with RPAs, as well as changes in fair value of the related derivatives, are included in other noninterest income in the consolidated statements of income.

LOANS HELD FOR SALE – Mortgage loans held for sale are reported at the lower of cost or fair value, determined in the aggregate.

LOANS RECEIVABLE – Loans originated by the Corporation which management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at unpaid principal balances, less the allowance for loan credit losses and net deferred loan fees. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method.

The loans receivable portfolio is segmented into residential mortgage, commercial and consumer loans. The residential mortgage segment includes the following classes: first and junior lien residential mortgages, home equity lines of credit and residential construction loans. The most significant classes of commercial loans are commercial loans secured by real estate, non-real estate secured commercial and industrial loans, loans to political subdivisions, commercial construction, multi-family residential and loans secured by farmland.

Loans are placed on nonaccrual status for all classes of loans when, in the opinion of management, collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income is not recognized on specific impaired

loans unless the likelihood of further loss is remote. Interest payments received on loans for which the risk of further loss is greater than remote are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments. Also, the amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

PURCHASED LOANS – The Corporation purchased loans in business combinations, some of which had, at the acquisition dates, shown evidence of credit deterioration since origination. The purchased loans that showed evidence of credit impairment were designated as the purchased credit impaired ("PCI") loans and were recorded at fair value, with no carryover of the allowance for loan losses. The On January 1, 2023, the Corporation adopted Accounting Standard Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326) which replaced the prior accounting for PCI loans acquired are secured by real estate and the fair value of each loan required credit deteriorated ("PCD") loans receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings. In accordance with ASC 326, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adaption. On January 1, 2023, the amortized cost basis of PCD assets was determined based on adjusted to establish the estimated proceeds to be derived from selling allowance for credit losses. Essentially all of the collateral, net of selling costs. PCI PCD loans were placed into reported as nonaccrual status upon acquisition (and remained in nonaccrual status loans at December 31, 2022 January 1, 2023 and 2021) as December 31, 2023.

ALLOWANCE FOR CREDIT LOSSES ON LOANS –As mentioned above, on January 1, 2023, the Corporation could not reasonably estimate cash flows adopted ASC 326. This standard replaced the incurred loss methodology with an expected to be collected in order to compute yield on the loans.

The excess of cash flows expected at acquisition over the estimated fair value loss methodology that is referred to as the accretable yield current expected credit loss ("CECL") methodology. Effective January 1, 2023, the Corporation adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after December 31, 2022 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

The allowance for credit losses is recognized into interest income over a valuation account that is deducted from the remaining life of loans' amortized cost basis to present the loan. The difference between contractually required payments at acquisition and the cash flows net amount expected to be collected at acquisition on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is referred to as confirmed. Expected recoveries do not exceed the nonaccretable yield. The nonaccretable yield represents estimated future credit losses aggregate of amounts previously charged-off and expected to be incurred over the life of the loan. Subsequent decreases to the expected cash flows require us to evaluate the need for an charged-off.

The allowance for credit losses. Subsequent improvements in expected cash flows result in the reversal of a corresponding amount of the nonaccretable yield which we then reclassify as accretable yield that is recognized into interest income over the remaining life of the loan using the interest method. Our evaluation of the amount of future cash flows that we expect to collect is performed in a similar manner as that used to determine our allowance for credit losses. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretable yield portion of the fair value adjustment.

ALLOWANCE FOR LOAN LOSSES – The allowance for loan losses represents management's estimate of lifetime credit losses inherent in the loan portfolio loans as of the balance sheet date and is recorded as a reduction to loans. date. The allowance for loan credit losses is increased estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

Accrued interest receivable on loans totaled $7,099,000 at December 31, 2023 and was excluded from the provision for loan losses, and decreased by charge-offs, net estimate of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the collection of all, or part, of the principal balance is highly unlikely. Non-residential consumer loans are generally charged off no later than when they are credit losses.

past due on a contractual basis, or earlier in the event of bankruptcy or if there is an amount deemed uncollectible.

The allowance for loan credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The ("ACL") includes two primary components: (i) an allowance is based established on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses. Such agencies may require the Corporation to recognize adjustments to the allowance based on their judgments of information available to them at the time of their examination. In the process of evaluating the loan portfolio, management also considers the Corporation's exposure to losses from unfunded loan commitments. As of December 31, 2022 and 2021, management determined that no allowance loans which share similar risk characteristics collectively evaluated for credit losses related to unfunded (collective basis), and (ii) an allowance established on loans which do not share similar risk characteristics with any loan commitments was required. segment and which are individually evaluated for credit losses (individual basis).

The allowance consists primarily

Evaluation of two major components – (1) a specific component Expected Losses on Individual Loans

Loans evaluated on an individual basis are identified based on a detailed assessment of certain larger loan relationships, mainly commercial purpose, determined on a loan-by-loan basis; and (2) a general component for the remainder of the portfolio based on a collective evaluation of pools of loans with similar their related credit risk characteristics. The general component is assigned to each pool of loans based on both historical net charge-off experience, and an evaluation of certain qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the above methodologies for estimating specific and general losses in the portfolio.

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The specific component relates to loans that are classified as impaired based on a detailed assessment of certain larger loan relationships evaluated ratings, by a management committee referred to as the Watch List Committee. Specific loan relationships are identified for evaluation based on the related credit risk rating. For individual loans classified as impaired, an The allowance is established when determined on an individual basis using the present value of expected cash flows or, for collateral-dependent loans, the fair value of the collateral value as of the reporting date, less estimated selling costs, present as applicable. If the fair value of discounted cash flows or observable market price the collateral is less than the amortized cost basis of the impaired loan, is lower than the

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Corporation will charge off the carrying difference between the fair value of that the collateral, less costs to sell at the reporting date and the amortized cost basis of the loan.

The scope of loans reviewed individually for credit loss each quarter to determine if they are impaired include includes all commercial loan relationships greater than $200,000 and any residential mortgage or consumer loans of $400,000 or more for which there is at least one extension of credit graded Special Mention, Substandard or Doubtful. Loans that Additionally, all PCD loans are evaluated individually reviewed, but for credit loss.

Collective Evaluation of Expected Losses – Pool Basis

The Corporation measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Corporation has identified the following portfolio segments and calculates the allowance for credit losses for each using the weighted-average remaining maturity ("WARM") method:

Commercial real estate - nonowner occupied, further broken down into the following classes:
Non-owner occupied
Multi-family (5 or more) residential
1-4 Family - commercial purpose
Commercial real estate - owner occupied
All other commercial loans, further broken down into the following classes:
Commercial and industrial
Commercial lines of credit
Political subdivisions
Commercial construction and land
Other commercial loans
Residential mortgage loans, further broken down into the following classes:
1-4 Family – residential
1-4 Family residential construction
Consumer loans, further broken down into the following classes:
Consumer lines of credit (including HELOCs)
All other consumer

In determining the pools for collective evaluation, management uses a combination of loan purpose, collateral and payment type (for example, lines of credit vs. amortizing). The pools identified are similar to the loan classes used in the Corporation's financial reporting for several years, with several exceptions including the following which are determined of the most significance:

- Commercial real estate secured loans are broken out between non-owner occupied and owner-occupied
- Loans secured by 1-4 family residential mortgages are broken out between consumer-purpose and commercial-purpose
- Commercial lines of credit are broken out as an individual category

Each of these changes was made to not be impaired, are combined better sort loans into pools with all remaining loans that are not reviewed on a specific basis, and such loans are included within larger pools of loans based on similar risk and loss characteristics cash flow characteristics.

Estimation Method - WARM (Weighted-Average Remaining Maturity Method)

In applying the WARM method, for purposes each pool identified above, the Corporation determines the annual net charge-offs as a percentage of determining average total loan balances (net charge-off percentage). For each loan pool, the general component average annualized net charge-off percentage is multiplied by the estimated weighted-average remaining average life of the allowance. All loans classified as troubled debt restructurings (TDR) and all commercial to calculate the loss rate.

The calculation of the estimated weighted-average remaining life of each loan relationships less than $200,000 or other loan relationships less than $400,000 in pool is based on instrument-level data, with contractual principal payments adjusted for the aggregate, but with an estimated loss impact of $100,000 or more, are individually evaluated for impairment.
The general component covers pools of loans by loan class including commercial loans not considered individually impaired, as well as smaller balance homogeneous classes of loans, such as residential real estate, home equity prepayments. Commercial lines of credit and other consumer loans. Accordingly, the Corporation revolving credit facilities are generally does not separately identify individual consumer and residential loans for impairment disclosures, unless such a loan: (1) is subject assumed to a restructuring agreement, (2) has an outstanding balance of $400,000 or more and a credit grade of Special Mention,

Substandard or Doubtful, or (3) has an be repaid after 1 year. The estimated loss of $100,000 or more. The pools of loans for each loan segment are evaluated for loss exposure based upon average historical net charge-off rates, adjusted for qualitative factors. The time period used in determining the average historical net charge-off rate for each loan class is based on management's evaluation of an appropriate time period that captures an historical loss experience relevant to the current portfolio. Qualitative risk factors (described in the following paragraph) are evaluated for the impact on each weighted-average remaining life of the three distinct segments (residential mortgage, commercial and consumer) within the loan portfolio. Each qualitative factor is assigned a value to reflect improving, stable or declining conditions based on management's judgment using relevant information available at the time of the evaluation. Any adjustments to the factors are supported by a narrative documentation of changes in conditions accompanying the allowance for loan losses calculation.

The qualitative factors used in the general component calculations are designed to address credit risk characteristics associated with each segment. The Corporation's credit risk associated with all of the segments is significantly impacted by these factors, which include economic conditions within its market area, the Corporation's lending policies, changes or trends in the entire portfolio risk profile, competition, regulatory requirements and other factors.

Purchased loans that did not show evidence of credit deterioration at the acquisition dates were initially recorded at fair value, including a discount for credit losses reflecting an estimate of the present value of credit losses based on market expectations. The general component of the allowance on purchased loans is evaluated separately from the rest of the portfolio. This evaluation includes consideration of the qualitative risk factors described above as well as the remaining purchased discount.

Loans are classified as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial loans by the fair value of the collateral (if the loan is collateral dependent), by future cash flows discounted at the loan's effective rate or by the loan's observable market price.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered was calculated to be the estimated fair value. The discounts also include estimated costs to sell the property. 4.48 years at December 31, 2023 and 4.36 years at January 1, 2023.

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For**Qualitative Factors**

The allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are deemed likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments generally increase allowance levels and include adjustments for factors deemed relevant, including: the nature and volume of portfolio changes, including loan portfolio growth; concentrations of credit based on loan type (such as non-owner occupied commercial real estate) or industry; the volume and industrial loans secured by non-real severity of past due, nonaccrual or adversely classified loans; trends in real estate or other collateral such as accounts receivable, inventory values; lending policies and equipment, procedures, including changes in underwriting and collections practices; credit review function; lending, credit and other relevant management experience and risk tolerance; external factors and economic conditions not already captured.

Economic Forecast

ASC 326 requires management to consider forward-looking information that is both reasonable and supportable and relevant to the collectability of cash flows. Reasonable and supportable forecasts may extend over the entire contractual term of a financial asset or a period shorter than the contractual term. In that regard, management has selected a forecast period of 2 years, which is shorter than the estimated fair values are weighted-average remaining life of the loan portfolio.

The Corporation calculates an additional expected credit loss based on establishing a correlation between past loss experience and an economic statistic. This additional credit loss is added to the allowance calculation, conceptually for the first 2 years of the weighted-average remaining life of the portfolio after which time the credit loss for each pool is determined based on the borrower's financial statements, inventory reports, accounts receivable aging data or equipment appraisals or invoices. Indications WARM historical loss rate as adjusted for qualitative factors.

ALLOWANCE FOR CREDIT LOSSES ON OFF-BALANCE SHEET EXPOSURES

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans, commercial letters of value from these sources are generally discounted based on credit and credit enhancement obligations related to residential mortgage loans sold with recourse. The Corporation's exposure to credit loss in the age event of nonperformance by the other party to the financial information or instrument for off-balance sheet loan commitments is represented by the quality contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Corporation records an allowance for credit losses on off-balance sheet credit exposures, unless the assets.

Loans whose terms commitments to extend credit are modified are classified as troubled debt restructurings if unconditionally cancelable, through a charge to provision for unfunded commitments in the Corporation grants such borrowers concessions and it Corporation's statements of income. The allowance for credit losses on off-balance sheet credit exposures is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve reductions in required payments, an extension of a loan's stated maturity estimated by loan segment at each balance sheet date or a temporary reduction in interest rate. Loans classified as troubled debt restructurings are designated as impaired. Nonaccrual troubled debt restructurings may be restored to accrual status if the ultimate collectability of principal and interest payments under the modified terms current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for off-balance sheet exposures is not included in doubt, accrued interest and there has been a period (generally, other liabilities in the Corporation's consolidated balance sheets and the related credit expense is recorded in the provision for at least six consecutive months) credit losses in the consolidated statements of satisfactory payment performance by the borrower either immediately before or after the restructuring. income.

BANK PREMISES AND EQUIPMENT – Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Repair and maintenance expenditures which extend the useful lives of assets are capitalized, and other repair and maintenance expenditures are expensed as incurred. Depreciation and amortization expense is computed using the straight-line method.

IMPAIRMENT OF LONG-LIVED ASSETS – The Corporation reviews long-lived assets, such as premises and equipment and intangibles, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. These changes in circumstances may include a significant decrease in the market value of an asset or the manner in which an asset is used. If there is an indication the carrying value of an asset may not be recoverable, future undiscounted cash flows expected to result from use of the asset are estimated. If the sum of the expected cash flows is less than the carrying value of the asset, a loss is recognized for the difference between the carrying value and fair market value of the asset.

FORECLOSED ASSETS HELD FOR SALE – Foreclosed assets held for sale consist of real estate acquired by foreclosure and are initially recorded at fair value, less estimated selling costs, establishing a new cost basis.

GOODWILL – Goodwill represents the excess of the cost of acquisitions over the fair value of the net assets acquired. Goodwill is tested at least annually at December 31 for impairment, or more often if events or circumstances indicate there may be impairment. The

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Corporation has the option of performing a qualitative assessment to determine whether any further quantitative testing for impairment is necessary. The option of whether or not to perform a qualitative assessment is made annually.

CORE DEPOSIT INTANGIBLES – Amortization of core deposit intangibles is calculated using an accelerated method. In determining amortization using the accelerated method for any given period, the amount of expected cash flows for that period that were used in determining the acquisition-date fair value is divided by the total amount of expected cash flows over the life of the asset. That percentage is multiplied by the initial carrying amount of the asset to arrive at amortization expense for that period. If the Corporation's cash flow patterns differ significantly from the initial estimates, the amortization schedule would be adjusted prospectively.

SERVICING RIGHTS – The estimated fair value of servicing rights related to mortgage loans sold and serviced by the Corporation is recorded as an asset upon the sale of such loans. The valuation of servicing rights is adjusted quarterly, with changes in fair value included in Loan Servicing Fees, Net, loan servicing fees, net, in the consolidated statements of income. Significant inputs to the valuation include expected net servicing income to be received, the expected life of the underlying loans and the discount rate. The servicing rights asset is included in other assets in the consolidated balance sheets.

INCOME TAXES – Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases given the provisions of the enacted tax laws. Deferred tax assets are reduced, if necessary, by the amount of such benefits that are not expected to be realized based upon available evidence. Tax benefits from investments in limited partnerships that have qualified for federal low-income tax credits are recognized as a reduction in the provision for income tax over the term of the investment using the effective yield method. The Corporation includes income tax penalties in the provision for income tax. The Corporation has no accrued interest related to unrecognized tax benefits.

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STOCK STOCK-BASED COMPENSATION PLANS – The Corporation's stock-based compensation policy applies to all forms of stock-based compensation including stock options and restricted stock. All stock-based –Stock-based compensation is accounted for under the fair value method as required by U.S. GAAP. The expense associated with stock-based compensation is recognized over the vesting period of each individual arrangement.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option valuation model. The fair value of restricted stock is based on the current market price on the date of grant. The expense associated with stock-based compensation is recognized over the vesting period of each individual arrangement.

TREASURY STOCK – Common stock held in treasury is accounted for using the cost method, which treats stock held in treasury as a reduction to total stockholders' equity. The shares may be purchased in the open market or in privately negotiated transactions from time to time depending upon market conditions and other factors.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS – In the ordinary course of business, the Corporation has entered into off-balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

CASH FLOWS – The Corporation utilizes the net reporting of cash receipts and cash payments for certain deposit and lending activities. Cash equivalents include federal funds sold and all cash and amounts due from depository institutions and interest-bearing deposits in other banks with original maturities of three months or less.

REVENUE RECOGNITION – The Corporation generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in the determination of the amount and timing of revenue from contracts with customers.

Additional disclosures related to the Corporation's largest sources of noninterest income within the consolidated statements of income from contracts with customers that are subject to Accounting Standards Codification (ASC) ASC Topic 606 are as follows:

Trust and financial management revenue – C&N Bank's trust department provides a wide range of financial services, including wealth management services for individuals, businesses and retirement funds, administration of 401(k) and other retirement plans, retirement planning, estate planning and estate settlement services. Trust clients are located primarily within the Corporation's geographic markets. Assets held in a fiduciary capacity by C&N Bank are not the Corporation's assets and are therefore not included in the consolidated balance sheets. The fair value of trust assets under management was approximately $1,188,082,000 at December 31,

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2023 and $1,063,615,000 at December 31, 2022 and $1,232,919,000 at December 31, 2021. Trust revenue is included within noninterest income in the consolidated statements of income.

Trust revenue is recorded on a cash basis, which is not materially different from the accrual basis. The majority (approximately 83% 81%, based on annual 2022 2023 results) of trust revenue is earned and collected monthly, with the amount determined based on a percentage of the fair value of the trust assets under management. Wealth management fees are contractually agreed with each customer, and fee levels vary based mainly on the size of assets under management. The services provided under such a contract represent a single performance obligation under the Accounting Standards Updates (ASUs) ASC 606 because it embodies a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. None of the contracts with trust customers provide for incentive-based fees. In addition to wealth management fees, trust revenue includes fees for provision of services, including employee benefit plan administration, tax return preparation and estate planning and settlement. Fees for such services are billed based on contractual arrangements or established fee schedules and are typically billed upon completion of providing such services. The costs of acquiring trust customers are incremental and recognized within noninterest expense in the consolidated statements of income.

Service charges on deposit accounts – Deposits are included as liabilities in the consolidated balance sheets. Service charges on deposit accounts include: overdraft fees, which are charged when customers overdraw their accounts beyond available funds; automated teller machine (ATM) fees charged for withdrawals by deposit customers from other financial institutions' ATMs; and a variety of other monthly or transactional fees for services provided to retail and business customers, mainly associated with checking accounts. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized in income at the time when the services are provided to the customers. Incremental costs of obtaining deposit contracts are not significant and are recognized as expense when incurred within noninterest expense in the consolidated statements of income.

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Interchange revenue from debit card transactions – The Corporation issues debit cards to consumer and business customers with checking, savings or money market deposit accounts. Debit card and ATM transactions are processed via electronic systems that involve several parties. The Corporation's debit card and ATM transaction processing is executed via contractual arrangements with payment processing networks, a processor and a settlement bank. As described above, all deposit liabilities are considered to have one-day terms and therefore interchange revenue from customers' use of their debit cards to initiate transactions are recognized in income at the time when the services are provided and related fees received in the Corporation's deposit account with the settlement bank. Incremental costs associated with ATM and interchange processing are recognized as expense when incurred within noninterest expense in the consolidated statements of income.

2. RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issues ASUs Accounting Standard Updates (ASUs) to communicate changes to the FASB ASC. Accounting Standard Codification (ASC). This section provides a summary description of recent ASUs that have significant implications (elected or required) within the consolidated financial statements, or that management expects may have a significant impact on financial statements issued in the foreseeable future.

Recent Accounting Pronouncements – Adopted

ASU 2020-04, Reference Rate Reform (Topic 848) provides temporary optional guidance As described in Note 1, on January 1, 2023, the Corporation adopted ASC 326. This standard replaced the incurred loss methodology for measuring credit losses on financial instruments with an expected loss methodology that is referred to ease as the potential burden in accounting CECL methodology. CECL requires an estimate of credit losses for reference rate reform. The amendments in Update 2020-04 the remaining estimated life of the financial asset and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate presented at the net amount expected to be discontinued. The guidance includes a general principle that permits collected by using an entity allowance for credit losses.

In addition, CECL made changes to consider contract modifications due the accounting for available for sale debt securities. One such change is to reference rate reform require credit losses to be presented as an event that allowance rather than as a write-down on available for sale debt securities if management does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. Some specific optional expedients are as follows:

- Simplifies accounting for contract modifications, including modifications to loans receivable and debt, by prospectively adjusting the effective interest rate.
- Simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue.

intend to sell and does not believe that it is more likely than not, they will be required to sell. The Corporation has elected adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to apply January 1, 2023. As of December 31, 2022, the optional expedients prospectively for applicable loan and other contracts, and implementation of this election Company did not have a material effect on any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Corporation's financial position or results of operations.

Recently Issued But Not Yet Effective Accounting Pronouncements

ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), as modified by subsequent ASUs, changes accounting Company determined that an allowance for credit losses on loans receivable and available-for-sale debt securities from an incurred loss methodology to an expected credit loss methodology commonly referred to as "CECL." In addition, CECL amends the accounting for credit losses on debt securities and purchased financial assets with credit deterioration. The allowance for credit losses will be based on the Corporation's historical loss experience, borrower characteristics, forecasts of future economic conditions and other relevant factors. The Corporation will also apply qualitative factors to account for information that may was not be reflected in quantitatively derived results or other relevant factors to ensure the allowance reflects management's best estimate of current expected credit losses.

The Corporation is adopting CECL on January 1, 2023 using the modified retrospective approach. Based on implementation efforts to date, management estimates CECL adoption will result in a reduction in retained earnings estimated at $1,000,000 to $3,000,000, net of tax. Management estimates CECL adoption will result in an increase in the allowance for credit losses of $2,000,000 to $4,000,000 over the balance in the allowance for loan losses of $16,615,000 at December 31, 2022.

The Corporation is in the process of finalizing its expected credit loss estimates and the operational and control structure supporting the process.

Banking regulators permit transitional relief of incremental capital requirements from CECL adoption by utilizing a 3-year optional phase-in. Management does not expect to utilize the phased-in approach and expects to record the entire cumulative effect adjustment against regulatory capital at the time of adoption. necessary.

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Effective January 1, 2023, the Corporation adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after December 31, 2022 are presented under CECL while prior period amounts continue to be reported using the Incurred Loss methodology. The following table illustrates the impact from the adoption of ASC 326:

(In Thousands)	As Reported Under ASC 326 January 1, 2023	Pre-ASC 326 Adoption December 31, 2022	Impact of ASC 326 Adoption
Loans receivable	$ 1,740,846	$ 1,740,040	$ 806
Allowance for credit losses on loans	$ 18,719	$ 16,615	$ 2,104
Allowance for credit losses on off-balance sheet exposures (included in accrued interest and other liabilities)	1,218	425	793
Deferred tax asset, net	21,323	20,884	439

Retained earnings	150,091	151,743	(1,652)

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. This update reduces the complexity of accounting for TDRs Troubled Debt Restructurings ("TDRs") by eliminating certain accounting guidance, enhancing disclosures and improving the consistency of vintage disclosures. The Corporation will adopt adopted ASU 2022-02 on January 1, 2023. Changes in disclosure requirements in accordance with ASU 2022-02 are reflected in Note 7. The Corporation does not expect the adoption of ASU 2022-02 to did not have a material impact on its the consolidated financial statements.

3. BUSINESS COMBINATION**Recent Issued but Not Yet Effective Accounting Pronouncements**

On July 1, 2020 InDecember 2023, the Corporation completed its acquisition FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosureswhichimproves the transparency of Covenant Financial, Inc. ("Covenant"), which operated banking offices income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in Bucks the rate reconciliation and Chester Counties of Pennsylvania. In connection with the transaction, the Corporation recorded goodwill of $24.1 million (2) income taxes paid disaggregated by jurisdiction. ASU No. 2023-09is effective for public business entities for annual periods beginning after December 15, 2024. The ASUmaybe adopted on a prospective or retrospective basis and a core deposit intangible asset of $3.1 million. Total loans acquired on July 1, 2020 were valued at $464.2 million, while total deposits assumed were valued at $481.8 million, borrowings were valued at $64.0 million and subordinated debt was valued at $10.1 million. early adoption is permitted. The Corporation acquired available-for-sale debt securities valued at $10.8 million and bank-owned life insurance valued at $11.2 million. The assets purchased and liabilities assumed in is currently evaluating the merger were recorded at their estimated fair values at impact the time of closing, subject to refinement for up to one year after the closing date. There were no adjustments to the fair value measurements of assets acquired or liabilities assumed subsequent to December 31, 2020.

Merger-related expenses new guidance will have on related disclosures related to the acquisition of Covenant totaled $7,708,000 in 2020. There were no merger-related expenses in 2021 and 2022. income taxes.

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4. 3. PER SHARE DATA

Basic earnings per common share are calculated using the two-class method to determine income attributable to common shareholders. Unvested restricted stock awards that contain nonforfeitable rights to dividends are considered participating securities under the two-class method. Distributed dividends and an allocation of undistributed net income to participating securities reduce the amount of income attributable to common shareholders. Income attributable to common shareholders is then divided by weighted-average common shares outstanding for the period to determine basic earnings per common share.

Diluted earnings per common share are calculated under the more dilutive of either the treasury method or the two-class method. Diluted earnings per common share is computed using weighted-average common shares outstanding, plus weighted-average common shares available from the exercise of all dilutive stock options, less the number of shares that could be repurchased with the proceeds of stock option exercises based on the average share price of the Corporation's common stock during the period.

(In Thousands, Except Share and Per Share Data)	Years Ended			Years Ended		
	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2023	December 31, 2022	December 31, 2021
Basic						
Net income	$ 26,618	$ 30,554	$ 19,222	$ 24,148	$ 26,618	$ 30,554
Less: Dividends and undistributed earnings allocated to participating securities	(237)	(241)	(116)	(186)	(237)	(241)
Net income attributable to common shares	$ 26,381	$ 30,313	$ 19,106	$ 23,962	$ 26,381	$ 30,313

Basic weighted-average common shares outstanding	15,455,432	15,765,639	14,743,386	15,241,859	15,455,432	15,765,639
Basic earnings per common share (a)	$ 1.71	$ 1.92	$ 1.30	$ 1.57	$ 1.71	$ 1.92
Diluted						
Net income attributable to common shares	$ 26,381	$ 30,313	$ 19,106	$ 23,962	$ 26,381	$ 30,313
Basic weighted-average common shares outstanding	15,455,432	15,765,639	14,743,386	15,241,859	15,455,432	15,765,639
Dilutive effect of potential common stock arising from stock options	3,099	6,316	3,662	0	3,099	6,316
Diluted weighted-average common shares outstanding	15,458,531	15,771,955	14,747,048	15,241,859	15,458,531	15,771,955
Diluted earnings per common share (a)	$ 1.71	$ 1.92	$ 1.30	$ 1.57	$ 1.71	$ 1.92
Weighted-average nonvested restricted shares outstanding	138,617	125,539	89,718	118,122	138,617	125,539

(a) Basic and diluted earnings per share under the two-class method are determined on net income reported on the income statement less earnings allocated to nonvested restricted shares with nonforfeitable dividends (participating securities).

Anti-dilutive stock options are excluded from net income per share calculations. There were no anti-dilutive instruments in 2022 or 2021. Weighted-average common shares available from anti-dilutive instruments totaled 32,538 8,963 shares in 2020. 2023.

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5. 4. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is the total of (1) net income, and (2) all other changes in equity from non-stockholder sources, which are referred to as other comprehensive income (loss). The components of other comprehensive income (loss), and the related tax effects, are as follows:

(In Thousands)	Before-Tax Amount	Income Tax Effect	Net-of-Tax Amount	Before-Tax Amount	Income Tax Effect	Net-of-Tax Amount
2023						
Available-for-sale debt securities:						
Unrealized holding gains on available-for-sale debt securities				$ 11,512	$ (2,418)	$ 9,094
Reclassification adjustment for losses realized in income				3,036	(638)	2,398
Other comprehensive income from available-for-sale debt securities				14,548	(3,056)	11,492
Unfunded pension and postretirement obligations:						
Changes from plan amendments and actuarial gains and losses				(9)	2	(7)
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost				(56)	12	(44)
Other comprehensive loss on unfunded retirement obligations				(65)	14	(51)
Total other comprehensive income				$ 14,483	$ (3,042)	$ 11,441
2022						
Available-for-sale debt securities:						
Unrealized holding losses on available-for-sale debt securities	$ (69,828)	$ 14,665	$ (55,163)	$(69,828)	$ 14,665	$(55,163)
Reclassification adjustment for (gains) realized in income	(20)	4	(16)	(20)	4	(16)
Other comprehensive loss from available-for-sale debt securities	(69,848)	14,669	(55,179)	(69,848)	14,669	(55,179)
Unfunded pension and postretirement obligations:						
Changes from plan amendments and actuarial gains and losses	389	(81)	308	389	(81)	308
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost	(42)	9	(33)	(42)	9	(33)
Other comprehensive income on unfunded retirement obligations	347	(72)	275	347	(72)	275
Total other comprehensive loss	$ (69,501)	$ 14,597	$ (54,904)	$(69,501)	$ 14,597	$(54,904)

2021						
Available-for-sale debt securities:						
Unrealized holding losses on available-for-sale debt securities	$ (8,669)	$ 1,821	$ (6,848)	$ (8,669)	$ 1,821	$ (6,848)
Reclassification adjustment for (gains) realized in income	(24)	5	(19)	(24)	5	(19)
Other comprehensive loss from available-for-sale debt securities	(8,693)	1,826	(6,867)	(8,693)	1,826	(6,867)
Unfunded pension and postretirement obligations:						
Changes from plan amendments and actuarial gains and losses	140	(29)	111	140	(29)	111
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost	(17)	4	(13)	(17)	4	(13)
Other comprehensive income on unfunded retirement obligations	123	(25)	98	123	(25)	98
Total other comprehensive loss	$ (8,570)	$ 1,801	$ (6,769)	$ (8,570)	$ 1,801	$ (6,769)
2020						
Available-for-sale debt securities:						
Unrealized holding gains on available-for-sale debt securities	$ 10,504	$ (2,205)	$ 8,299			
Reclassification adjustment for (gains) realized in income	(169)	35	(134)			
Other comprehensive income from available-for-sale debt securities	10,335	(2,170)	8,165			
Unfunded pension and postretirement obligations:						
Changes from plan amendments and actuarial gains and losses	(49)	11	(38)			
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost	(29)	6	(23)			
Other comprehensive loss on unfunded retirement obligations	(78)	17	(61)			
Total other comprehensive income	$ 10,257	$ (2,153)	$ 8,104			

Items reclassified out of each component of accumulated other comprehensive (loss) income are as follows:

Description	**Affected Line Item in the Consolidated Statements of Income**
Reclassification adjustment for losses (gains) realized in income (before-tax)	Realized (losses) gains on available-for-sale debt securities, net
Amortization of prior service cost and net actuarial loss included in net periodic benefit cost (before-tax)	Other noninterest expense
Income tax effect	Income tax provision

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Changes in the components of accumulated other comprehensive (loss) income, included in stockholders' equity, are as follows:

(In Thousands)	**Unrealized (Losses) Gains on Securities**	**Unfunded Retirement Obligations**	**Accumulated Other Comprehensive (Loss) Income**	**Unrealized (Losses) Gains on Securities**	**Unfunded Retirement Obligations**	**Accumulated Other Comprehensive (Loss) Income**
2023						
Balance, beginning of period				$ (50,370)	$ 492	$ (49,878)
Other comprehensive income (loss) during year ended December 31, 2023				11,492	(51)	11,441
Balance, end of period				$ (38,878)	$ 441	$ (38,437)
2022						

Balance, beginning of period	$	4,809	$	217	$	5,026	$	4,809	$	217	$	5,026
Other comprehensive (loss) during year ended December 31, 2022		(55,179)		275		(54,904)						
Other comprehensive (loss) income during year ended December 31, 2022								(55,179)		275		(54,904)
Balance, end of period	$	(50,370)	$	492	$	(49,878)	$	(50,370)	$	492	$	(49,878)
2021												
Balance, beginning of period	$	11,676	$	119	$	11,795	$	11,676	$	119	$	11,795
Other comprehensive (loss) during year ended December 31, 2021		(6,867)		98		(6,769)						
Other comprehensive (loss) income during year ended December 31, 2021								(6,867)		98		(6,769)
Balance, end of period	$	4,809	$	217	$	5,026	$	4,809	$	217	$	5,026
2020												
Balance, beginning of period	$	3,511	$	180	$	3,691						
Other comprehensive income during year ended December 31, 2020		8,165		(61)		8,104						
Balance, end of period	$	11,676	$	119	$	11,795						

6. 5. CASH AND DUE FROM BANKS

Cash and due from banks at December 31, 2022 December 31, 2023 and 2021 2022 include the following:

(In Thousands)		December 31, 2022		December 31, 2021		December 31, 2023		December 31, 2022
Cash and cash equivalents	$	47,698	$	95,848	$	52,778	$	47,698
Certificates of deposit		7,350		9,100		4,100		7,350
Total cash and due from banks	$	55,048	$	104,948	$	56,878	$	55,048

Certificates of deposit are issues by U.S. banks with original maturities greater than three months. Each certificate of deposit is fully FDIC-insured. The Corporation maintains cash and cash equivalents with certain financial institutions in excess of the FDIC insurance limit. The Corporation has not experienced any losses in such accounts.

Historically, C&N Bank has been required to maintain reserves against deposit liabilities in the form of cash and balances with the Federal Reserve Bank of Philadelphia. The reserves are based on deposit levels, account activity, and other services provided by the Federal Reserve Bank. In March 2020, the Federal Reserve Board reduced reserve requirements for U.S. banks to 0%. Accordingly, C&N Bank had no required reserves at December 31, 2022 or December 31, 2021.

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7. 6. SECURITIES

Amortized cost and fair value of available-for-sale debt securities at December 31, 2022 December 31, 2023 and 2021 2022 are summarized as follows:

(In Thousands)	December 31, 2022		December 31, 2023	
	Gross	Gross	Gross	Gross

	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Obligations of the U.S. Treasury	$ 35,166	$ 0	$ (3,330)	$ 31,836	$ 12,325	$ 0	$ (1,035)	$ 11,290
Obligations of U.S. Government agencies	25,938	0	(2,508)	23,430	11,119	0	(1,173)	9,946
Bank holding company debt securities	28,945	0	(3,559)	25,386	28,952	0	(5,452)	23,500
Obligations of states and political subdivisions:								
Tax-exempt	146,149	319	(13,845)	132,623	113,464	311	(9,576)	104,199
Taxable	68,488	0	(11,676)	56,812	58,720	0	(8,609)	50,111
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:								
Residential pass-through securities	112,782	0	(12,841)	99,941	105,549	40	(10,184)	95,405
Residential collateralized mortgage obligations	44,868	0	(4,572)	40,296	50,212	0	(3,750)	46,462
Commercial mortgage-backed securities	91,388	0	(11,702)	79,686	76,412	0	(9,730)	66,682
Private label commercial mortgage-backed securities	8,070	2	(49)	8,023	8,215	0	(55)	8,160
Total available-for-sale debt securities	$ 561,794	$ 321	$ (64,082)	$ 498,033	$464,968	$ 351	$(49,564)	$415,755

(In Thousands)	December 31, 2021				December 31, 2022			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Obligations of the U.S. Treasury	$ 25,058	$ 52	$ (198)	$ 24,912	$ 35,166	$ 0	$ (3,330)	$ 31,836
Obligations of U.S. Government agencies	23,936	563	(408)	24,091	25,938	0	(2,508)	23,430
Bank holding company debt securities	18,000	18	(31)	17,987	28,945	0	(3,559)	25,386
Obligations of states and political subdivisions:								
Tax-exempt	143,427	4,749	(148)	148,028	146,149	319	(13,845)	132,623
Taxable	72,182	1,232	(649)	72,765	68,488	0	(11,676)	56,812
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:								
Residential pass-through securities	98,048	705	(572)	98,181	112,782	0	(12,841)	99,941
Residential collateralized mortgage obligations	44,015	437	(205)	44,247	44,868	0	(4,572)	40,296
Commercial mortgage-backed securities	86,926	1,548	(1,006)	87,468	91,388	0	(11,702)	79,686
Private label commercial mortgage-backed securities					8,070	2	(49)	8,023
Total available-for-sale debt securities	$ 511,592	$ 9,304	$ (3,217)	$ 517,679	$561,794	$ 321	$(64,082)	$498,033

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The following table presents gross unrealized losses and fair value of available-for-sale debt securities with unrealized loss positions that are not deemed to be other-than-temporarily impaired, aggregated by length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 December 31, 2023 and 2021: 2022:

December 31, 2022	Less Than 12 Months		12 Months or More		Total							
December 31, 2023							Less Than 12 Months		12 Months or More		Total	
(In Thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of the U.S. Treasury	$ 20,192	$ (1,939)	$ 11,644	$ (1,391)	$ 31,836	$ (3,330)	$ 0	$ 0	$ 11,290	$ (1,035)	$ 11,290	$ (1,035)
Obligations of U.S. Government agencies	8,509	(430)	12,921	(2,078)	21,430	(2,508)	1,595	(9)	8,351	(1,164)	9,946	(1,173)
Bank holding company debt securities	14,248	(1,697)	11,138	(1,862)	25,386	(3,559)	0	0	23,500	(5,452)	23,500	(5,452)
Obligations of states and political subdivisions:												
Tax-exempt	106,204	(11,023)	15,153	(2,822)	121,357	(13,845)	3,257	(24)	96,758	(9,552)	100,015	(9,576)
Taxable	28,901	(4,739)	27,761	(6,937)	56,662	(11,676)	0	0	49,961	(8,609)	49,961	(8,609)
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:												
Residential pass-through securities	45,410	(4,226)	54,531	(8,615)	99,941	(12,841)	3,334	(27)	84,297	(10,157)	87,631	(10,184)
Residential collateralized mortgage obligations	28,670	(2,042)	11,626	(2,530)	40,296	(4,572)	3,588	(2)	32,808	(3,748)	36,396	(3,750)
Commercial mortgage-backed securities	40,408	(2,585)	39,278	(9,117)	79,686	(11,702)	2,327	(16)	64,355	(9,714)	66,682	(9,730)
Private label commercial mortgage-backed securities	4,762	(49)	0	0	4,762	(49)	8,160	(55)	0	0	8,160	(55)
Total temporarily impaired available-for-sale debt securities	$ 297,304	$ (28,730)	$ 184,052	$ (35,352)	$ 481,356	$ (64,082)						
Total							$22,261	$ (133)	$371,320	$(49,431)	$393,581	$(49,564)

December 31, 2021	Less Than 12 Months		12 Months or More		Total							
December 31, 2022							Less Than 12 Months		12 Months or More		Total	
(In Thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of the U.S. Treasury	$ 18,886	$ (198)	$ 0	$ 0	$ 18,886	$ (198)	$ 20,192	$ (1,939)	$ 11,644	$ (1,391)	$ 31,836	$ (3,330)
Obligations of U.S. Government agencies	9,735	(264)	4,856	(144)	14,591	(408)	8,509	(430)	12,921	(2,078)	21,430	(2,508)
Bank holding company debt securities	12,969	(31)	0	0	12,969	(31)	14,248	(1,697)	11,138	(1,862)	25,386	(3,559)
Obligations of states and political subdivisions:												
Tax-exempt	17,852	(141)	549	(7)	18,401	(148)	106,204	(11,023)	15,153	(2,822)	121,357	(13,845)

Taxable	31,261	(517)	3,277	(132)	34,538	(649)	28,901	(4,739)	27,761	(6,937)	56,662	(11,676)
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:												
Residential pass-through securities	71,451	(572)	0	0	71,451	(572)	45,410	(4,226)	54,531	(8,615)	99,941	(12,841)
Residential collateralized mortgage obligations	15,117	(205)	0	0	15,117	(205)	28,670	(2,042)	11,626	(2,530)	40,296	(4,572)
Commercial mortgage-backed securities	52,867	(1,006)	0	0	52,867	(1,006)	40,408	(2,585)	39,278	(9,117)	79,686	(11,702)
Total temporarily impaired available-for-sale debt securities	$ 230,138	$ (2,934)	$ 8,682	$ (283)	$ 238,820	$ (3,217)						
Private label commercial mortgage-backed securities							4,762	(49)	0	0	4,762	(49)
Total							$297,304	$(28,730)	$184,052	$(35,352)	$481,356	$(64,082)

Gross realized gains and losses from available-for-sale securities and the related income tax provision were as follows:

(In Thousands)	2022	2021	2020	2023	2022	2021
Gross realized gains from sales	$ 48	$ 27	$ 222	$ 89	$ 48	$27
Gross realized losses from sales	(28)	(3)	(53)	(3,125)	(28)	(3)
Net realized gains	$ 20	$ 24	$ 169			
Income tax provision related to net realized gains	$ 4	$ 5	$ 35			
Net realized (losses) gains				$(3,036)	$ 20	$24
Income tax provision related to net realized (losses) gains				$ (638)	$ 4	$ 5

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The amortized cost and fair value of available-for-sale debt securities by contractual maturity are shown in the following table as of December 31, 2022 December 31, 2023. Actual maturities may differ from contractual maturities because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

(In Thousands)	December 31, 2022		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 13,568	$ 13,431	$ 13,200	$ 12,937
Due from one year through five years	74,983	70,160	27,951	26,299
Due from five years through ten years	89,023	79,404	77,246	67,709

Due after ten years	127,112	107,092	106,183	92,101
Sub-total	304,686	270,087	224,580	199,046
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	112,782	99,941	105,549	95,405
Residential collateralized mortgage obligations	44,868	40,296	50,212	46,462
Commercial mortgage-backed securities	91,388	79,686	76,412	66,682
Private label commercial mortgage-backed securities	8,070	8,023	8,215	8,160
Total	$ 561,794	$ 498,033	$464,968	$415,755

The Corporation's mortgage-backed securities have stated maturities that may differ from actual maturities due to borrowers' ability to prepay obligations. Cash flows from such investments are dependent upon the performance of the underlying mortgage loans and are generally influenced by the level of interest rates. In the table above, mortgage-backed securities and collateralized mortgage obligations are shown in one period.

Investment securities carried at $232,437,000 at December 31, 2023 and $277,302,000 at December 31, 2022 and $241,428,000 at December 31, 2021 were pledged as collateral for public deposits, trusts and certain other deposits, as provided by law, totaling $136,494,000 at December 31, 2023 and $196,760,000 at December 31, 2022 and $189,383,000 at December 31, 2021. See Note 12 11 for information concerning securities pledged to secure borrowing arrangements and Note 20 for information related to securities pledged against interest rate swap obligations.

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether the Corporation intends to sell the security or more likely than not will be required to sell the security before its anticipated recovery. arrangements.

A summary of information management considered in evaluating debt and equity securities for OTTI credit losses at December 31, 2022 December 31, 2023 and 2021 2022 is provided below.

Debt Securities

As reflected in the table above, gross unrealized holding losses on available-for-sale debt securities totaled $49,564,000 at December 31, 2023 and $64,082,000 at December 31, 2022. At December 31, 2022 December 31, 2023, the Corporation does not have the intent to sell, nor is it more likely than not it will be required to sell, these securities before it is able to recover the amortized cost basis. The unrealized holding losses were consistent with significant increases in market interest rates that occurred in 2022 and 2021, 2023.

At December 31, 2023 and December 31, 2022, management performed an assessment for possible OTTI credit losses of the Corporation's debt securities on an issue-by-issue basis, relying on information obtained from various sources, including publicly available financial data, ratings by external agencies, brokers and other sources. The extent of individual analysis applied to each security depended on the size At December 31, 2023 and 2022, all of the Corporation's investment, as well as management's perception holdings of the credit risk associated with each security. As reflected in the table above, gross unrealized bank holding losses on available-for-sale company debt securities, totaled $64,082,000 at December 31, 2022 obligations of states and $3,217,000 at December 31, 2021. The increase in gross unrealized holding losses in 2022 was consistent with the significant increase in market interest rates that occurred during the period. political subdivisions and private label commercial mortgage-backed securities were investment grade and there have been no payment defaults.

Based on the results of the assessment, management believes there were was no credit-related declines in fair value and that impairment of ACL required on available-for-sale debt securities in an unrealized loss position at December 31, 2022 December 31, 2023 and 2021 is temporary. 2022.

Equity Securities

C&N Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB-Pittsburgh), which is one of 11 regional Federal Home Loan Banks. As a member, C&N Bank is required to purchase and maintain stock in FHLB-Pittsburgh. There is no active market for FHLB-Pittsburgh stock, and it must ordinarily be redeemed by FHLB-Pittsburgh in order to be liquidated. C&N Bank's investment in

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FHLB-Pittsburgh stock, included in other assets in the consolidated balance sheets, was $14,168,000 $15,214,000 at December 31, 2022 December 31, 2023 and $9,313,000

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$14,168,000 at December 31, 2021 December 31, 2022. The Corporation evaluated its holding of FHLB-Pittsburgh stock for impairment and deemed the stock to not be impaired at December 31, 2022 December 31, 2023 and December 31, 2021. 2022. In making this determination, management concluded that recovery of total outstanding par value, which equals the carrying value, is expected. The decision was based on review of financial information that FHLB-Pittsburgh has made publicly available.

In July 2023, C&N Bank became a member of the Federal Reserve System. As a member, C&N Bank is required to purchase and maintain stock in the Federal Reserve Bank of Philadelphia. There is no active market for Federal Reserve Bank stock, and it must ordinarily be redeemed by the Federal Reserve Bank of Philadelphia in order to be liquidated. C&N Bank's investment in Federal Reserve Bank stock, included in other assets in the consolidated balance sheets, was $6,252,000 at December 31, 2023.

The Corporation's marketable equity security, with a carrying value of $871,000 at December 31, 2023 and $859,000 at December 31, 2022 and $971,000 at December 31, 2021 consisted exclusively of one mutual fund. There was an unrealized loss of $141,000 $129,000 on the mutual fund at December 31, 2022 December 31, 2023 and $29,000 $141,000 at December 31, 2021 and no unrealized gain/loss at December 31, 2020 December 31, 2022. The increase Changes in the unrealized loss of $112,000 in 2022 and $29,000 in 2021 and the decrease in the unrealized loss of $21,000 in 2020 gains or losses on this security, which are included in other noninterest income in the consolidated statements of income. income, were a gain of $12,000 in 2023, a loss of $112,000 in 2022 and a loss of $29,000 in 2021. There were no sales of equity securities in 2023, 2022 2021 and 2020. 2021.

8. 7. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The loans Loans receivable portfolio is segmented into commercial, residential mortgage at December 31, 2023 and consumer loans. Loans outstanding at December 31, 2022 and December 31, 2021 2022 are summarized by segment, and by classes within each segment, as follows:

Summary of Loans by Type
(In Thousands)

	December 31, 2023	December 31, 2022
Commercial real estate - non-owner occupied	$ 737,342	$ 675,597
Commercial real estate - owner occupied	237,246	205,910
All other commercial loans	399,693	410,077
Residential mortgage loans	413,714	393,582
Consumer loans	60,144	54,874
Total	1,848,139	1,740,040
Less: allowance for credit losses on loans	(19,208)	(16,615)
Loans, net	$ 1,828,931	$ 1,723,425

	December 31, 2022	December 31, 2021
Commercial:		
Commercial loans secured by real estate	$ 682,249	$ 569,840
Commercial and industrial	178,271	159,073
Paycheck Protection Program - 1st Draw	5	1,356
Paycheck Protection Program - 2nd Draw	163	25,508

Political subdivisions	90,719	81,301
Commercial construction and land	73,963	60,579
Loans secured by farmland	12,950	11,121
Multi-family (5 or more) residential	55,886	50,089
Agricultural loans	2,435	2,351
Other commercial loans	14,857	17,153
Total commercial	1,111,498	978,371
Residential mortgage:		
Residential mortgage loans - first liens	509,782	483,629
Residential mortgage loans - junior liens	24,949	23,314
Home equity lines of credit	43,798	39,252
1-4 Family residential construction	30,577	23,151
Total residential mortgage	609,106	569,346
Consumer	19,436	17,132
Total	1,740,040	1,564,849
Less: allowance for loan losses	(16,615)	(13,537)
Loans, net	$ 1,723,425	$ 1,551,312

(1) Total loans at December 31, 2022 include purchased credit impaired loans of $1,027,000.

In the table above, outstanding loan balances are presented net of deferred loan origination fees of $4,459,000 at December 31, 2023 and $4,725,000 at December 31, 2022 and $4,247,000 at December 31, 2021.

The Corporation grants loans to individuals as well as commercial and tax-exempt entities. Commercial, residential and personal loans are made to customers geographically concentrated in Northcentral Pennsylvania, the Southern tier of New York State, Southeastern Pennsylvania and Southcentral Pennsylvania. Although the Corporation has a diversified loan portfolio, a significant portion of its debtors' ability to honor their contracts is dependent on the local economic conditions within the region. region.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act is a $2 trillion stimulus package designed to provide relief to U.S. businesses and consumers struggling as a result of the pandemic. A

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provision in the CARES Act includes creation of the Paycheck Protection Program ("PPP") through the Small Business Administration ("SBA") and Treasury Department. Under the PPP, the Corporation, as an SBA-certified lender, provided SBA-guaranteed Acquired loans to small businesses to pay their employees, rent, mortgage interest, and utilities. PPP loans are forgiven subject to clients' providing documentation evidencing their compliant use of funds and otherwise complying with the terms of the program. Information related to PPP loans advanced pursuant to the CARES Act are labeled "1st Draw" within the tables.

On December 27, 2020, the President of the United States signed into law the Consolidated Appropriations Act, 2021 (the "CAA"), which includes provisions that broadly address additional COVID-19 responses and relief. Among the additional relief measures included are certain extensions to elements of the CARES Act, including extension of relief from troubled debt restructurings reporting established under Section 4013 of the CARES Act to 60 days after the date on which the national COVID-19 emergency terminates. The CAA also included additional funding for the PPP with additional eligibility requirements for borrowers with generally the same loan terms as provided under the CARES Act. Information related to PPP loans advanced pursuant to the CAA are labeled "2nd Draw" within the tables.

The maximum term of PPP loans is five years. Most of the Corporation's 1st Draw PPP loans have two-year terms, while 2nd Draw PPP loans have five-year terms and the Corporation is repaid sooner to the extent the loans are forgiven. The interest rate on PPP loans is 1%, and the Corporation has received fees from the SBA ranging between 1% and 5% per loan, depending on the size of the loan. Fees on PPP loans, net of origination costs and a market rate adjustment on acquired PPP loans, are recognized in interest income as a yield adjustment over the term of the loans.

As of December 31, 2022, the recorded investment in PPP loans was $168,000, including contractual principal balances of $195,000, reduced by net deferred origination fees of $27,000. Interest and fees on PPP loans which are included in taxable interest and fees on loans in the consolidated statements of income totaled $958,000 in 2022, $6,530,000 in 2021 and $2,924,000 in 2020.

Loans acquired in business combinations were initially recorded at their initial fair value, with adjustments made to the gross amortized cost of loans based on movements in interest rates (market rate adjustment) and based on credit fair value adjustments on non-impaired loans and impaired loans. Subsequent to the acquisitions, Subsequently, the Corporation has recognized amortization and accretion of a portion of the market rate adjustments and credit adjustments on non-impaired (performing) loans, and a partial recovery of purchased credit impaired (PCI) performing loans. For the years year ended December 31, 2022 December 31, 2023 and 2021, 2022, adjustments to the initial market rate and credit fair value adjustments of performing loans were recognized as follows:

(In Thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Market Rate Adjustment		
Adjustments to gross amortized cost of loans at beginning of period	$ (637)	$ 718
Amortization recognized in interest income	(279)	(1,355)
Adjustments to gross amortized cost of loans at end of period	$ (916)	$ (637)
Credit Adjustment on Non-impaired Loans		
Adjustments to gross amortized cost of loans at beginning of period	$ (3,335)	$ (5,979)
Accretion recognized in interest income	1,495	2,644
Adjustments to gross amortized cost of loans at end of period	$ (1,840)	$ (3,335)

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A summary of PCI loans held at December 31, 2022 and December 31, 2021 is as follows:

(In Thousands)	December 31, 2022	December 31, 2021
Outstanding balance	$ 1,833	$ 9,802
Carrying amount	1,027	6,558

Transactions within the allowance for loan losses, summarized by segment and class, were as follows:

Year Ended December 31, 2022 (In Thousands)	December 31, 2021 Balance	Charge-offs	Recoveries	Provision (Credit)	December 31, 2022 Balance
Allowance for Loan Losses:					
Commercial:					
Commercial loans secured by real estate	$ 4,405	$ (3,942)	$ 0	$ 6,611	$ 7,074
Commercial and industrial	2,723	(150)	0	336	2,909
Commercial construction and land	637	0	0	10	647
Loans secured by farmland	115	0	0	(3)	112
Multi-family (5 or more) residential	215	0	0	196	411
Agricultural loans	25	0	0	(4)	21

Other commercial loans	173	0	0	(49)	124
Total commercial	8,293	(4,092)	0	7,097	11,298
Residential mortgage:					
Residential mortgage loans - first liens	3,650	0	4	(241)	3,413
Residential mortgage loans - junior liens	184	0	0	(17)	167
Home equity lines of credit	302	0	15	(35)	282
1-4 Family residential construction	202	0	0	9	211
Total residential mortgage	4,338	0	19	(284)	4,073
Consumer	235	(153)	49	113	244
Unallocated	671	0	0	329	1,000
Total Allowance for Loan Losses	$ 13,537	$ (4,245)	$ 68	$ 7,255	$ 16,615

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Year Ended December 31, 2021 (In Thousands)	December 31, 2020 Balance	Charge-offs	Recoveries	Provision (Credit)	December 31, 2021 Balance
Allowance for Loan Losses:					
Commercial:					
Commercial loans secured by real estate	$ 3,051	$ 0	$ 2	$ 1,352	$ 4,405
Commercial and industrial	2,245	(1,464)	20	1,922	2,723
Commercial construction and land	454	0	0	183	637
Loans secured by farmland	120	0	0	(5)	115
Multi-family (5 or more) residential	236	0	0	(21)	215
Agricultural loans	34	0	0	(9)	25
Other commercial loans	168	0	0	5	173
Total commercial	6,308	(1,464)	22	3,427	8,293
Residential mortgage:					
Residential mortgage loans - first liens	3,524	(11)	4	133	3,650
Residential mortgage loans - junior liens	349	0	0	(165)	184
Home equity lines of credit	281	0	2	19	302
1-4 Family residential construction	99	0	0	103	202
Total residential mortgage	4,253	(11)	6	90	4,338
Consumer	239	(100)	38	58	235
Unallocated	585	0	0	86	671
Total Allowance for Loan Losses	$ 11,385	$ (1,575)	$ 66	$ 3,661	$ 13,537

Year Ended December 31, 2020 (In Thousands)	December 31, 2019 Balance	Charge-offs	Recoveries	Provision (Credit)	December 31, 2020 Balance
Allowance for Loan Losses:					
Commercial:					
Commercial loans secured by real estate	$ 1,921	$ 0	$ 0	$ 1,130	$ 3,051
Commercial and industrial	1,391	(2,236)	16	3,074	2,245
Commercial construction and land	966	(107)	0	(405)	454

Loans secured by farmland	158	0	0	(38)	120
Multi-family (5 or more) residential	156	0	0	80	236
Agricultural loans	41	0	0	(7)	34
Other commercial loans	155	0	0	13	168
Total commercial	4,788	(2,343)	16	3,847	6,308
Residential mortgage:					
Residential mortgage loans - first liens	3,405	0	39	80	3,524
Residential mortgage loans - junior liens	384	0	1	(36)	349
Home equity lines of credit	276	0	4	1	281
1-4 Family residential construction	117	0	0	(18)	99
Total residential mortgage	4,182	0	44	27	4,253
Consumer	281	(122)	41	39	239
Unallocated	585	0	0	0	585
Total Allowance for Loan Losses	$ 9,836	$ (2,465)	$ 101	$ 3,913	$ 11,385

(In Thousands)	Year Ended	
	December 31, 2023	December 31, 2022
Market Rate Adjustment		
Adjustments to gross amortized cost of loans at beginning of period	$ (916)	$ (637)
Amortization recognized in interest income	(54)	(279)
Adjustments to gross amortized cost of loans at end of period	$ (970)	$ (916)
Credit Adjustment on Non-impaired Loans		
Adjustments to gross amortized cost of loans at beginning of period	$ (1,840)	$ (3,335)
Accretion recognized in interest income	677	1,495
Adjustments to gross amortized cost of loans at end of period	$ (1,163)	$ (1,840)

For the year ended December 31, 2022, the provision for loan losses was $7,255,000, The following table presents an increase in expense analysis of $3,594,000 past due loans as compared to $3,661,000 recorded in the year ended December 31, 2021. The provision for 2022 includes $3,890,000 related to specific loans (net charge-offs of $4,177,000 and net decrease in specific allowances on loans of $287,000), an increase of $3,036,000 in the collectively determined portion of the allowance and a $329,000 increase in the unallocated portion. December 31, 2023:

In 2022, the provision for loan losses includes the impact of partial charge-offs totaling $3,942,000 on a commercial real estate secured participation loan to a borrower in the health care industry. The charge-offs resulted from the borrower's default due to deterioration in

(In Thousands)	As of December 31, 2023				
	Past Due 30-89 Days	Past Due 90+ Days	Nonaccrual Loans	Current Loans	Total Loans
Commercial real estate - non-owner occupied	$ 2,215	$ 126	$ 8,412	$ 726,589	$ 737,342
Commercial real estate - owner occupied	849	0	1,575	234,822	237,246
All other commercial loans	229	2,593	1,323	395,548	399,693
Residential mortgage loans	5,365	326	3,627	404,396	413,714
Consumer loans	617	145	240	59,142	60,144
Total	$ 9,275	$ 3,190	$ 15,177	$ 1,820,497	$ 1,848,139

financial performance. The recorded investment in the loan at December 31, 2022 (principal balance, net of partial charge-offs) was $2,654,000 based on a settlement agreement reached with the borrower.

The provision for loan losses in 2021 includes $1,324,000 related to specific following table presents an analysis of past due loans (net charge-offs as of $1,509,000 and a decrease in specific allowances on loans of $185,000), an increase of $2,251,000 in the collectively determined portion of the allowance and an $86,000 increase in the unallocated portion. In 2020, the provision included a $2,219,000 charge-off on one commercial loan. December 31, 2022:

In determining the larger loan relationships for detailed assessment under the specific allowance component, the

(In Thousands)	As of December 31, 2022				
	Past Due 30-89 Days	Past Due 90+ Days	Nonaccrual Loans	Current Loans	Total Loans
Commercial real estate - non-owner occupied	$ 644	$ 947	$ 6,350	$ 667,656	$ 675,597
Commercial real estate - owner occupied	723	141	19	204,099	204,982
All other commercial loans	537	151	11,528	397,762	409,978
Residential mortgage loans	4,540	866	3,974	384,202	393,582
Consumer loans	635	132	187	53,920	54,874
Purchased credit impaired	0	0	1,027	0	1,027
Total	$ 7,079	$ 2,237	$ 23,085	$ 1,707,639	$ 1,740,040

The Corporation uses an internal risk rating system. Under the risk rating system, the Corporation classifies problem or potential problem loans as “Special Mention,” “Substandard,” or “Doubtful” on the basis of currently existing facts, conditions and values. Loans that do not currently expose the Corporation to sufficient risk to warrant classification as Substandard or Doubtful, but possess weaknesses that deserve management’s close attention, are deemed to be Special Mention. Substandard loans include those characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Risk ratings are updated any time that conditions or the situation warrants. Loans not classified are included in the “Pass” column in the table that follows.

The following tables summarize the aggregate credit quality classification of outstanding loans by risk rating as of December 31, 2022 and 2021:

December 31, 2022 (In Thousands)	Pass	Special Mention	Substandard	Doubtful	Purchased Credit Impaired	Total
Commercial:						
Commercial loans secured by real estate	$ 666,442	$ 4,589	$ 10,231	$ 0	$ 987	$ 682,249
Commercial and Industrial	156,042	910	21,279	0	40	178,271
Paycheck Protection Program - 1st Draw	5	0	0	0	0	5
Paycheck Protection Program - 2nd Draw	163	0	0	0	0	163
Political subdivisions	90,719	0	0	0	0	90,719
Commercial construction and land	73,179	517	267	0	0	73,963
Loans secured by farmland	11,136	519	1,295	0	0	12,950
Multi-family (5 or more) residential	55,034	0	852	0	0	55,886
Agricultural loans	1,831	28	576	0	0	2,435
Other commercial loans	14,857	0	0	0	0	14,857
Total commercial	1,069,408	6,563	34,500	0	1,027	1,111,498
Residential Mortgage:						
Residential mortgage loans - first liens	496,156	7,125	6,501	0	0	509,782

Residential mortgage loans - junior liens	24,495	164	290	0	0	24,949
Home equity lines of credit	43,289	59	450	0	0	43,798
1-4 Family residential construction	30,577	0	0	0	0	30,577
Total residential mortgage	594,517	7,348	7,241	0	0	609,106
Consumer	19,350	0	86	0	0	19,436
Totals	$ 1,683,275	$ 13,911	$ 41,827	$ 0	$ 1,027	$ 1,740,040

December 31, 2021 (In Thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Purchased Credit Impaired**	**Total**
Commercial:						
Commercial loans secured by real estate	$ 538,966	$ 10,510	$ 16,220	$ 0	$ 4,144	$ 569,840
Commercial and Industrial	142,775	10,841	4,694	0	763	159,073
Paycheck Protection Program - 1st Draw	1,356	0	0	0	0	1,356
Paycheck Protection Program - 2nd Draw	25,508	0	0	0	0	25,508
Political subdivisions	81,301	0	0	0	0	81,301
Commercial construction and land	59,816	715	48	0	0	60,579
Loans secured by farmland	10,011	186	924	0	0	11,121
Multi-family (5 or more) residential	47,638	0	873	0	1,578	50,089
Agricultural loans	1,802	0	549	0	0	2,351
Other commercial loans	17,150	3	0	0	0	17,153
Total commercial	926,323	22,255	23,308	0	6,485	978,371
Residential Mortgage:						
Residential mortgage loans - first liens	469,044	7,981	6,534	0	70	483,629
Residential mortgage loans - junior liens	22,914	114	283	0	3	23,314
Home equity lines of credit	38,652	59	541	0	0	39,252
1-4 Family residential construction	23,151	0	0	0	0	23,151
Total residential mortgage	553,761	8,154	7,358	0	73	569,346
Consumer	17,092	0	40	0	0	17,132
Totals	$ 1,497,176	$ 30,409	$ 30,706	$ 0	$ 6,558	$ 1,564,849

The increase in substandard loans at December 31, 2022 as compared to December 31, 2021 includes advances under lines of credit to a commercial borrower totaling $10,799,000 at December 31, 2022, which were classified as impaired and nonaccrual. Based on an

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analysis of the liquidation value of business assets that collateralize the lines of credit, there was no specific allowance related to these advances at December 31, 2022.

The following tables present a summary of loan balances and the related allowance for loan losses summarized by portfolio segment and class for each impairment method used as of December 31, 2022 and 2021:

December 31, 2022 (In Thousands)	**Loans:**			**Allowance for Loan Losses:**		
	Individually Evaluated	**Collectively Evaluated**	**Totals**	**Individually Evaluated**	**Collectively Evaluated**	**Totals**
Commercial:						
Commercial loans secured by real estate	$ 7,154	$ 675,095	$ 682,249	$ 427	$ 6,647	$ 7,074
Commercial and industrial	11,223	167,048	178,271	26	2,883	2,909

Paycheck Protection Program - 1st Draw	0	5	5	0	0	0
Paycheck Protection Program - 2nd Draw	0	163	163	0	0	0
Political subdivisions	0	90,719	90,719	0	0	0
Commercial construction and land	244	73,719	73,963	0	647	647
Loans secured by farmland	76	12,874	12,950	0	112	112
Multi-family (5 or more) residential	0	55,886	55,886	0	411	411
Agricultural loans	57	2,378	2,435	0	21	21
Other commercial loans	0	14,857	14,857	0	124	124
Total commercial	18,754	1,092,744	1,111,498	453	10,845	11,298
Residential mortgage:						
Residential mortgage loans - first liens	506	509,276	509,782	0	3,413	3,413
Residential mortgage loans - junior liens	30	24,919	24,949	0	167	167
Home equity lines of credit	68	43,730	43,798	0	282	282
1-4 Family residential construction	0	30,577	30,577	0	211	211
Total residential mortgage	604	608,502	609,106	0	4,073	4,073
Consumer	0	19,436	19,436	0	244	244
Unallocated						1,000
Total	$ 19,358	$ 1,720,682	$ 1,740,040	$ 453	$ 15,162	$ 16,615

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December 31, 2021 (In Thousands)	Loans:			Allowance for Loan Losses:		
	Individually Evaluated	Collectively Evaluated	Totals	Individually Evaluated	Collectively Evaluated	Totals
Commercial:						
Commercial loans secured by real estate	$ 10,926	$ 558,914	$ 569,840	$ 669	$ 3,736	$ 4,405
Commercial and industrial	2,503	156,570	159,073	71	2,652	2,723
Paycheck Protection Program - 1st Draw	0	1,356	1,356	0	0	0
Paycheck Protection Program - 2nd Draw	0	25,508	25,508	0	0	0
Political subdivisions	0	81,301	81,301	0	0	0
Commercial construction and land	0	60,579	60,579	0	637	637
Loans secured by farmland	83	11,038	11,121	0	115	115
Multi-family (5 or more) residential	1,578	48,511	50,089	0	215	215
Agricultural loans	0	2,351	2,351	0	25	25
Other commercial loans	0	17,153	17,153	0	173	173
Total commercial	15,090	963,281	978,371	740	7,553	8,293
Residential mortgage:						
Residential mortgage loans - first liens	630	482,999	483,629	0	3,650	3,650
Residential mortgage loans - junior liens	14	23,300	23,314	0	184	184
Home equity lines of credit	0	39,252	39,252	0	302	302
1-4 Family residential construction	0	23,151	23,151	0	202	202
Total residential mortgage	644	568,702	569,346	0	4,338	4,338
Consumer	0	17,132	17,132	0	235	235
Unallocated						671
Total	$ 15,734	$ 1,549,115	$ 1,564,849	$ 740	$ 12,126	$ 13,537

Summary information related to impaired loans as of December 31, 2022 and 2021 is as follows:

(In Thousands)	December 31, 2022			December 31, 2021		
	Unpaid Principal Balance	Recorded Investment	Related Allowance	Unpaid Principal Balance	Recorded Investment	Related Allowance
With no related allowance recorded:						
Commercial loans secured by real estate	$ 8,563	$ 3,754	$ 0	$ 6,600	$ 4,458	$ 0
Commercial and industrial	12,926	11,163	0	5,213	2,431	0
Residential mortgage loans - first liens	506	506	0	656	630	0
Residential mortgage loans - junior liens	68	30	0	124	14	0
Home equity lines of credit	68	68	0	0	0	0
Loans secured by farmland	76	76	0	83	83	0
Agricultural loans	57	57	0	0	0	0
Construction and other land loans	244	244	0	0	0	0
Multi-family (5 or more) residential	0	0	0	2,734	1,578	0
Total with no related allowance recorded	22,508	15,898	0	15,410	9,194	0
With a related allowance recorded:						
Commercial loans secured by real estate	3,400	3,400	427	6,468	6,468	668
Commercial and industrial	60	60	26	72	72	72
Total with a related allowance recorded	3,460	3,460	453	6,540	6,540	740
Total	$ 25,968	$ 19,358	$ 453	$ 21,950	$ 15,734	$ 740

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The average balance of impaired loans and interest income recognized on impaired loans is as follows:

(In Thousands)	Average Investment in Impaired Loans Year Ended December 31,			Interest Income Recognized on on Impaired Loans on a Cash Basis Year Ended December 31,		
	2022	2021	2020	2022	2021	2020
Commercial:						
Commercial loans secured by real estate	$ 9,757	$ 11,617	$ 5,266	$ 657	$ 557	$ 258
Commercial and industrial	2,078	2,636	2,542	210	34	34
Commercial construction and land	72	48	521	3	3	15
Loans secured by farmland	80	84	319	0	1	27
Multi-family (5 or more) residential	197	1,583	202	1,156	133	0
Agricultural loans	60	67	76	4	4	4
Other commercial loans	0	0	18	0	0	1
Total commercial	12,244	16,035	8,944	2,030	732	339
Residential mortgage:						
Residential mortgage loans - first lien	575	1,647	1,853	24	78	116
Residential mortgage loans - junior lien	33	361	392	7	11	22
Home equity lines of credit	43	0	57	4	0	3

Total residential mortgage	651	2,008	2,302	35	89	141
Total	$12,895	$ 18,043	$ 11,246	$ 2,065	$ 821	$ 480

The increase in interest income recognized on a cash basis on impaired loans in 2022 resulted mainly from repayments received on loans that had been classified as purchased credit impaired at December 31, 2021.

The breakdown by portfolio segment and class of nonaccrual loans and loans past due ninety days or more and still accruing is as follows:

(In Thousands)	December 31, 2022		December 31, 2021	
	Past Due 90+ Days and Accruing	Nonaccrual	Past Due 90+ Days and Accruing	Nonaccrual
Commercial:				
Commercial loans secured by real estate	$ 612	$ 7,153	$ 738	$ 10,885
Commercial and industrial	80	11,165	30	2,299
Commercial construction and land	0	244	0	48
Loans secured by farmland	0	76	28	83
Multi-family (5 or more) residential	0	0	0	1,578
Agricultural loans	57	0	65	0
Total commercial	749	18,638	861	14,893
Residential mortgage:				
Residential mortgage loans - first liens	1,288	4,259	1,144	4,005
Residential mortgage loans - junior liens	54	0	69	3
Home equity lines of credit	102	129	102	82
Total residential mortgage	1,444	4,388	1,315	4,090
Consumer	44	59	43	16
Totals	$ 2,237	$ 23,085	$ 2,219	$ 18,999

The amounts shown in the table immediately above include loans classified as troubled debt restructurings (described in more detail below), if such loans are past due ninety days or more or nonaccrual. PCI loans with a total recorded investment of $1,027,000 at December 31, 2022 and $6,558,000 at December 31, 2021 are classified as nonaccrual.

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The table below presents a summary of the contractual aging of loans as of December 31, 2022 and 2021.

(In Thousands)	As of December 31, 2022				As of December 31, 2021			
	Current & Past Due Less than 30 Days	Past Due 30-89 Days	Past Due 90+ Days	Total	Current & Past Due Less than 30 Days	Past Due 30-89 Days	Past Due 90+ Days	Total
Commercial:								
Commercial loans secured by real estate	$ 676,779	$ 1,105	$ 4,365	$ 682,249	$ 563,658	$ 762	$ 5,420	$ 569,840
Commercial and industrial	177,747	319	205	178,271	158,188	72	813	159,073
Paycheck Protection Program - 1st Draw	5	0	0	5	1,339	17	0	1,356

Paycheck Protection Program - 2nd Draw	163	0	0	163	25,508	0	0	25,508
Political subdivisions	90,719	0	0	90,719	81,301	0	0	81,301
Commercial construction and land	73,766	0	197	73,963	60,509	70	0	60,579
Loans secured by farmland	12,856	18	76	12,950	11,010	0	111	11,121
Multi-family (5 or more) residential	55,886	0	0	55,886	48,532	0	1,557	50,089
Agricultural loans	2,378	0	57	2,435	2,279	7	65	2,351
Other commercial loans	14,857	0	0	14,857	17,153	0	0	17,153
Total commercial	1,105,156	1,442	4,900	1,111,498	969,477	928	7,966	978,371
Residential mortgage:								
Residential mortgage loans - first liens	500,778	5,323	3,681	509,782	475,637	5,038	2,954	483,629
Residential mortgage loans - junior liens	24,702	193	54	24,949	23,229	16	69	23,314
Home equity lines of credit	42,952	652	194	43,798	38,830	279	143	39,252
1-4 Family residential construction	30,577	0	0	30,577	23,151	0	0	23,151
Total residential mortgage	599,009	6,168	3,929	609,106	560,847	5,333	3,166	569,346
Consumer	19,169	164	103	19,436	17,001	72	59	17,132
Totals	$ 1,723,334	$ 7,774	$ 8,932	$ 1,740,040	$ 1,547,325	$ 6,333	$ 11,191	$ 1,564,849

Nonaccrual loans are included in the contractual aging immediately above. A summary of the contractual aging of nonaccrual loans at December 31, 2022 and 2021 is as follows:

(In Thousands)	Current & Past Due Less than 30 Days	Past Due 30-89 Days	Past Due 90+ Days	Total
December 31, 2022 Nonaccrual Totals	$ 15,695	$ 695	$ 6,695	$ 23,085
December 31, 2021 Nonaccrual Totals	$ 8,800	$ 1,227	$ 8,972	$ 18,999

Loans whose terms are modified are classified as TDRs if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Loans classified as TDRs are designated as impaired. The outstanding balance of loans subject to TDRs, as well as the contractual aging information at December 31, 2022 and 2021 is as follows:

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Troubled Debt Restructurings (TDRs) The following table presents the recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:

(In Thousands)	Current & Past Due Less than 30 Days	Past Due 30-89 Days	Past Due 90+ Days	Nonaccrual	Total
December 31, 2022 Totals	$ 503	$ 68	$ 57	$ 3,799	$ 4,427

December 31, 2021 Totals	$ 248	$ 40	$ 65	$ 5,452	$ 5,805

At December 31, 2022 and 2021, there were no commitments to loan additional funds to borrowers whose loans have been classified as TDRs.

A summary of TDRs that occurred during 2022, 2021 and 2020 is as follows:

(Balances in Thousands)	2022		2021		2020	
	Number of Loans	Post-Modification Recorded Investment	Number of Loans	Post-Modification Recorded Investment	Number of Loans	Post-Modification Recorded Investment
Residential mortgage - first liens:						
Reduced monthly payments and extended maturity date	0	$ 0	1	$ 12	0	$ 0
Reduced monthly payments for a fifteen-month period	0	0	1	116	0	0
Residential mortgage - junior liens:						
Reduced monthly payments and extended maturity date	1	48	0	0	0	0
New loan at lower than risk-adjusted market rate to borrower from whom short sale of other collateral was accepted	0	0	0	0	1	30
Home equity lines of credit:						
Reduced monthly payments and extended maturity date	0	0	1	24	0	0
Reduced monthly payments for an eighteen-month period	0	0	1	70	0	0
Commercial loans secured by real estate:						
Interest only payments for a nine-month period	0	0	0	0	1	240
Principal and interest payment deferral non-COVID related	0	0	0	0	2	4,831
Multi-family (5 or more) residential,						
Principal and interest payment deferral non-COVID related	0	0	0	0	3	2,170
Loans secured by farmland,						
Deferral of principal and interest payments for 12 months with a balloon payment at maturity	1	268	0	0	0	0
Total	2	$ 316	4	$ 222	7	$ 7,271

In the year ended December 31, 2020, the Corporation recorded a specific allowance for loan losses of $416,000 related to a loan secured by commercial real estate for which a TDR concession was made in 2020 and included in the table above. In 2021, the allowance on this loan with a recorded investment of $3,405,000 at December 31, 2021 was increased to $427,000. At December 31, 2022 the allowance on this loan with a recorded investment of $3,400,000 remained $427,000. The other loans for which TDRs were granted in 2022, 2021 and 2020 had no specific impact on the provision or allowance for loan losses.

In 2022, 2021 and 2020, payment defaults on loans for which modifications considered to be TDRs were entered into within the previous 12 months are summarized as follows:

	2022		2021		2020	
(Balances in Thousands)	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
Commercial loans secured by real estate	0	$ 0	1	$ 3,405	1	$ 240
Total	0	$ 0	1	$ 3,405	1	$ 240

(In Thousands)	Term Loans by Year of Origination							
	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial real estate - non-owner occupied								
Pass	$ 96,615	$ 167,484	$ 89,582	$ 55,390	$ 80,020	$ 207,017	$ 0	$ 696,108
Special Mention	0	20,072	2,446	0	116	6,188	0	28,822

Substandard	0	0	0	18	566	11,828	0	12,412
Doubtful	0	0	0	0	0	0	0	0
Total commercial real estate - non-owner occupied	$ 96,615	$ 187,556	$ 92,028	$ 55,408	$ 80,702	$ 225,033	$ 0	$ 737,342
Year-to-date gross charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial real estate - owner occupied								
Pass	$ 33,761	$ 37,429	$ 52,090	$ 12,858	$ 17,505	$ 71,775	$ 0	$ 225,418
Special Mention	104	746	0	0	0	166	0	1,016
Substandard	5,200	0	2,567	0	0	3,045	0	10,812
Doubtful	0	0	0	0	0	0	0	0
Total commercial real estate - owner occupied	$ 39,065	$ 38,175	$ 54,657	$ 12,858	$ 17,505	$ 74,986	$ 0	$ 237,246
Year-to-date gross charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All other commercial loans								
Pass	$ 58,393	$ 90,560	$ 51,813	$ 27,718	$ 16,421	$ 24,326	$ 107,234	$ 376,465
Special Mention	0	2,690	5,043	8	0	794	301	8,836
Substandard	0	1,267	1,250	453	679	1,085	9,658	14,392
Doubtful	0	0	0	0	0	0	0	0
Total all other commercial loans	$ 58,393	$ 94,517	$ 58,106	$ 28,179	$ 17,100	$ 26,205	$ 117,193	$ 399,693
Year-to-date gross charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12	$ 12
Residential mortgage loans								
Pass	$ 57,300	$ 87,519	$ 56,183	$ 39,411	$ 32,401	$ 135,546	$ 0	$ 408,360
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	0	285	369	4,700	0	5,354
Doubtful	0	0	0	0	0	0	0	0
Total residential mortgage loans	$ 57,300	$ 87,519	$ 56,183	$ 39,696	$ 32,770	$ 140,246	$ 0	$ 413,714
Year-to-date gross charge-offs	$ 0	$ 0	$ 0	$ 0	$ 0	$ 33	$ 0	$ 33
Consumer loans								
Pass	$ 6,020	$ 4,664	$ 1,944	$ 1,205	$ 175	$ 913	$ 44,312	$ 59,233
Special Mention	0	0	0	0	0	0	0	0
Substandard	0	0	5	11	1	58	836	911
Doubtful	0	0	0	0	0	0	0	0
Total consumer loans	$ 6,020	$ 4,664	$ 1,949	$ 1,216	$ 176	$ 971	$ 45,148	$ 60,144
Year-to-date gross charge-offs	$ 0	$ 149	$ 0	$ 18	$ 3	$ 3	$ 138	$ 311

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The default following table presents the recorded investment in loans by credit quality indicators as of December 31, 2022:

Special

(In Thousands)	Pass	Mention	Substandard	Doubtful	Total
Commercial real estate - non-owner occupied	$ 654,430	$ 9,486	$ 11,681	$ 0	$ 675,597
Commercial real estate - owner occupied	202,702	1,909	371	0	204,982
All other commercial loans	383,846	2,516	23,616	0	409,978
Residential mortgage loans	387,944	0	5,638	0	393,582
Consumer loans	54,353	0	521	0	54,874
Purchased credit impaired	0	0	1,027	0	1,027
Total	$ 1,683,275	$ 13,911	$ 42,854	$ 0	$ 1,740,040

The following table is a summary of the Corporation's nonaccrual loans by major categories for the periods indicated.

	December 31, 2023			December 31, 2022
(In Thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Commercial real estate - non-owner occupied	$ 1,111	$ 7,301	$ 8,412	$ 6,350
Commercial real estate - owner occupied	1,281	294	1,575	19
All other commercial loans	1,132	191	1,323	11,528
Residential mortgage loans	3,627	0	3,627	3,974
Consumer loans	240	0	240	187
Purchased credit impaired	0	0	0	1,027
Total	$ 7,391	$ 7,786	$ 15,177	$ 23,085

The Corporation recognized $932,000 of interest income on nonaccrual loans during the year ended December 31, 2023.

The following table presents the accrued interest receivable written off by reversing interest income during the year ended December 31, 2023:

(In Thousands)	Year Ended December 31, 2023
Commercial real estate - non-owner occupied	$ 48
Residential mortgage loans	28
Consumer loans	3
Total	$ 79

The Corporation has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that occurred secure collateral dependent loans:

- Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- All other commercial loans are typically secured by business assets including inventory, equipment and receivables.
- Residential mortgage loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related allowance for credit losses on loans allocated to these loans:

	December 31, 2023	
(In Thousands)	Amortized Cost	Allowance
Commercial real estate - non-owner occupied	$ 8,412	$ 648
Commercial real estate - owner occupied	1,575	5
All other commercial loans	1,277	90
Total	$ 11,264	$ 743

The following table summarizes the activity related to the ACL for the year ended December 31, 2023 under the CECL methodology.

(In Thousands)	Commercial real estate - nonowner occupied	Commercial real estate - owner occupied	All other commercial loans	Residential mortgage loans	Consumer loans	Unallocated	Total
Balance, December 31, 2022	$ 6,305	$ 1,942	$ 4,142	$ 2,751	$ 475	$ 1,000	$ 16,615
Adoption of ASU 2016-13 (CECL)	3,763	7	(88)	(344)	(234)	(1,000)	2,104
Charge-offs	0	0	(12)	(33)	(311)	0	(356)
Recoveries	0	0	44	11	37	0	92
(Credit) provision for credit losses on loans	1,942	167	(1,168)	(621)	433	0	753
Balance, December 31, 2023	$ 12,010	$ 2,116	$ 2,918	$ 1,764	$ 400	$ 0	$ 19,208

Prior to the adoption of ASC 326 on January 1, 2023, the Corporation calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosed related to the allowance for loan losses in 2021 prior period.

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December 31, 2022	Loans:			Allowance for Loan Losses:		
(In Thousands)	Individually Evaluated	Collectively Evaluated	Totals	Individually Evaluated	Collectively Evaluated	Totals
Commercial:						
Commercial loans secured by real estate	$ 7,154	$ 675,095	$ 682,249	$ 427	$ 6,647	$ 7,074
Commercial and industrial	11,223	167,048	178,271	26	2,883	2,909
Paycheck Protection Program - 1st Draw	0	5	5	0	0	0
Paycheck Protection Program - 2nd Draw	0	163	163	0	0	0
Political subdivisions	0	90,719	90,719	0	0	0
Commercial construction and land	244	73,719	73,963	0	647	647

Loans secured by farmland	76	12,874	12,950	0	112	112
Multi-family (5 or more) residential	0	55,886	55,886	0	411	411
Agricultural loans	57	2,378	2,435	0	21	21
Other commercial loans	0	14,857	14,857	0	124	124
Total commercial	18,754	1,092,744	1,111,498	453	10,845	11,298
Residential mortgage:						
Residential mortgage loans - first liens	506	509,276	509,782	0	3,413	3,413
Residential mortgage loans - junior liens	30	24,919	24,949	0	167	167
Home equity lines of credit	68	43,730	43,798	0	282	282
1-4 Family residential construction	0	30,577	30,577	0	211	211
Total residential mortgage	604	608,502	609,106	0	4,073	4,073
Consumer	0	19,436	19,436	0	244	244
Unallocated						1,000
Total	$ 19,358	$ 1,720,682	$ 1,740,040	$ 453	$ 15,162	$ 16,615

Prior to the adoption of ASU 2016-13, loans were classified as impaired when, based on current information and events, it was probable that the Corporation would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment included payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record and the amount of shortfall in relation to the principal and interest owed. Impairment was measured on a loan-by-loan basis for commercial loans by the fair value of the collateral (if the loan is collateral dependent), by future cash flows discounted at the loan’s effective rate or by the loan’s observable market price.

The scope of loans reviewed individually each quarter to determine if they were impaired included all commercial loan relationships greater than $200,000 and any residential mortgage or consumer loans of $400,000 or more for which there was at least one extension of credit graded Special Mention, Substandard or Doubtful. All loans classified as troubled debt restructurings and all commercial loan relationships less than $200,000 or other loan relationships less than $400,000 in the aggregate, but with an estimated loss of $100,000 or more, were individually evaluated for impairment.

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Summary information related to impaired loans at December 31, 2022 is provided in the table immediately below.

(In Thousands)	**December 31, 2022**		
	Unpaid Principal Balance	**Recorded Investment**	**Related Allowance**
With no related allowance recorded:			
Commercial loans secured by real estate	$ 8,563	$ 3,754	$ 0
Commercial and industrial	12,926	11,163	0
Residential mortgage loans - first liens	506	506	0
Residential mortgage loans - junior liens	68	30	0
Home equity lines of credit	68	68	0
Loans secured by farmland	76	76	0
Agricultural loans	57	57	0

Construction and other land loans	244	244	0
Multi-family (5 or more) residential	0	0	0
Total with no related allowance recorded	22,508	15,898	0
With a related allowance recorded:			
Commercial loans secured by real estate	3,400	3,400	427
Commercial and industrial	60	60	26
Total with a related allowance recorded	3,460	3,460	453
Total	$ 25,968	$ 19,358	$ 453

The average balance of impaired loans and interest income recognized on these impaired loans is as follows:

(In Thousands)	Average Investment in Impaired Loans		Interest Income Recognized on Impaired Loans on a Cash Basis	
	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Commercial:				
Commercial loans secured by real estate	$ 9,757	$ 11,617	$ 657	$ 557
Commercial and industrial	2,078	2,636	210	34
Commercial construction and land	72	48	3	3
Loans secured by farmland	80	84	0	1
Multi-family (5 or more) residential	197	1,583	1,156	133
Agricultural loans	60	67	4	4
Other commercial loans	0	0	0	0
Total commercial	12,244	16,035	2,030	732
Residential mortgage:				
Residential mortgage loans - first lien	575	1,647	24	78
Residential mortgage loans - junior lien	33	361	7	11
Home equity lines of credit	43	0	4	0
Total residential mortgage	651	2,008	35	89
Total	$ 12,895	$ 18,043	$ 2,065	$ 821

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

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Because the effect of most modifications made to borrowers experiencing financial difficulty, such as extensions of terms, insignificant payment delays and interest rate reductions, is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification.

Occasionally, the Corporation modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan referred is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

Modifications Made to Borrowers Experiencing Financial Difficulty

In 2023, there were two loan modifications made to borrowers experiencing financial difficulty at the time of modification, described in the following table:

(Dollars in Thousands)	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial Real Estate - Non-owner Occupied:			
Non-owner occupied	$ 3,907	0.53 %	Extended the maturity of one loan for 6 months and another loan for 12 months.

The Corporation closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. At December 31, 2023, the amortized cost basis of the loan included in the table above where the maturity was extended for 6 months was $1,381,000, with a specific allowance of $427,000 at December 31, 2022. The $38,000 and the contractual payments on the loan were 117 days past due. At December 31, 2023, the amortized cost basis of the loan where the maturity was extended for which 12 months was $2,526,000 with a default occurred in 2020 was repaid in full in 2021. specific allowance of $486,000 and the contractual payments were current. There were no commitments to lend additional funds to these two borrowers.

The carrying amount of foreclosed residential real estate properties held as a result of obtaining physical possession (included in Foreclosed assets held for sale in the consolidated balance sheets) is as follows:

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Foreclosed residential real estate	$ 0	$ 256	$ 47	$ 256

The recorded investment of consumer mortgage loans secured by residential real properties for which formal foreclosure proceedings were in process is as follows:

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Residential real estate in process of foreclosure	$ 1,229	$ 1,260	$ 1,227	$ 1,229

The Corporation maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, commercial letters of credit and credit enhancement obligations related to residential mortgage loans sold with recourse, when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e. commitment cannot be canceled at any time). Additional information related to commitments to extend credit and standby letter of credits is provided in Note 15. The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated lives. The allowance for credit losses for off-balance sheet exposures of

$690,000 at December 31, 2023 and $425,000 at December 31, 2022, is included in accrued interest and other liabilities on the consolidated balance sheets.

The following table presents the balance and activity in the allowance for credit losses for off-balance sheet exposures for the year ended December 31, 2023.

(In Thousands)	Year Ended December 31, 2023
Beginning Balance	$ 425
Adjustment to allowance for off-balance sheet exposures for adoption of ASU 2016-13	793
Recoveries	39
Credit for unfunded commitments	(567)
Balance, December 31, 2023	$ 690

9.

8. BANK PREMISES AND EQUIPMENT

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Land	$ 3,623	$ 3,623	$ 3,573	$ 3,623
Buildings and improvements	32,332	32,606	32,582	32,332
Furniture and equipment	14,886	15,162	14,618	14,886
Construction in progress	1,532	835	614	1,532
Total	52,373	52,226	51,387	52,373
Less: accumulated depreciation	(30,799)	(31,543)	(29,755)	(30,799)
Net	$ 21,574	$ 20,683	$ 21,632	$ 21,574

Depreciation and amortization expense is included in the following line items of the consolidated statements of income:

(In Thousands)	2022	2021	2020	2023	2022	2021
Net occupancy and equipment expense	$ 2,049	$ 1,723	$ 1,595	$1,915	$2,049	$1,723
Data processing and telecommunications expense	340	407	386	236	340	407
Total	$ 2,389	$ 2,130	$ 1,981	$2,151	$2,389	$2,130

10. 9. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill represents the excess of the cost of acquisitions over the fair value of the net assets acquired. There were no changes in the carrying amount of goodwill in 2022 2023 and 2021. 2022. The balance in goodwill was $52,505,000 at December 31, 2022 December 31, 2023 and 2021. 2022. The Corporation did not complete any acquisitions in 2022 2023 or 2021. 2022.

In testing goodwill for impairment at December 31, 2022 December 31, 2023, the Corporation by-passed performing a qualitative assessment and performed a quantitative assessment based on comparison of the Corporation's market capitalization to its stockholders' equity, resulting in the determination that the fair value of its reporting unit, its community banking operation, exceeded its it's carrying amount. Accordingly, there was no goodwill impairment at December 31, 2022 December 31, 2023.

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There were no goodwill impairment charges recorded in the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

Information related to the core deposit intangibles is as follows:

(In Thousands)	December 31,		December 31,	
	2022	2021	2023	2022
Gross amount	$ 6,639	$ 6,639	$ 6,639	$ 6,639
Accumulated amortization	(3,762)	(3,323)	(4,170)	(3,762)
Net	$ 2,877	$ 3,316	$ 2,469	$ 2,877

Amortization expense related to core deposit intangibles is included in other noninterest expense in the consolidated statements of income, as follows:

(In Thousands)	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2023	2022	2021
Amortization expense	$ 439	$ 535	$ 540	$ 408	$ 439	$ 535

The amount of amortization expense to be recognized in each of the ensuing five years is as follows:

(In Thousands)		
2023	$ 408	
2024	390	$390
2025	424	424
2026	396	396
2027	361	361
2028		304

11. 10. DEPOSITS

At December 31, 2022 December 31, 2023 the scheduled maturities of time deposits are as follows:

(In Thousands)		
2023	$ 152,889	
2024	102,120	$290,068
2025	22,679	84,413
2026	8,796	36,610
2027	8,705	6,817
2028		6,541
Total	$ 295,189	$424,449

Time deposits of more than $250,000 totaled $134,085,000 at December 31, 2023 and $85,640,000 at December 31, 2022 and $75,375,000 at December 31, 2021. As of December 31, 2022 December 31, 2023, the remaining maturities or time to next re-pricing of time deposits more than $250,000 was as follows:

(In Thousands)		
Three months or less	$ 13,685	$ 47,773
Over 3 months through 12 months	26,543	45,663
Over 1 year through 3 years	44,089	40,104
Over 3 years	1,323	545
Total	$ 85,640	$134,085

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12. 11. BORROWED FUNDS

SHORT-TERM BORROWINGS

Short-term borrowings (initial maturity within one year) include the following:

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
FHLB-Pittsburgh borrowings	$ 77,000	$ 0	$ 31,500	$ 77,000
Customer repurchase agreements	3,062	1,803	2,374	3,062
Total short-term borrowings	$ 80,062	$ 1,803	$ 33,874	$ 80,062

The weighted average interest rate on total short-term borrowings outstanding was 5.23% at December 31, 2023 and 4.28% at December 31, 2022 and 0.10% at December 31, 2021. The maximum amount of total short-term borrowings outstanding at any month-end was $120,290,000 in 2023, $90,042,000 in 2022 and $17,353,000 in 2021 and $56,647,000 in 2020. 2021.

The Corporation had available credit with other correspondent banks totaling $75,000,000 at December 31, 2023 and $95,000,000 at December 31, 2022 and $45,000,000 at December 31, 2021. These lines of credit are primarily unsecured. No amounts were outstanding at December 31, 2022 December 31, 2023 or 2021. 2022.

The Corporation has a line of credit with the Federal Reserve Bank of Philadelphia's Discount Window. At December 31, 2023, the Corporation had available credit in the amount of $19,982,000 on this line with no outstanding advances. At December 31, 2022, the Corporation had available credit in the amount of $23,107,000 on this line with no outstanding advances. At December 31, 2021, the Corporation had available credit in the amount of $13,642,000 on this line with no outstanding advances. As collateral for this line, the Corporation has pledged available-for-sale securities with a carrying value of $20,829,000 at December 31, 2023 and $24,113,000 at December 31, 2022 and $14,034,000 at December 31, 2021.

The Corporation engages in repurchase agreements with certain commercial customers. These agreements provide that the Corporation sells specified investment securities to the customers on an overnight basis and repurchases them on the following business day. The weighted average rate paid by the Corporation on customer repurchase agreements was 0.10% at December 31, 2022 December 31, 2023 and 2021. 2022. The carrying value of the underlying securities was $2,400,000 at December 31, 2023 and $3,080,000 at December 31, 2022 and $1,820,000 at December 31, 2021.

The FHLB-Pittsburgh loan facility is collateralized by qualifying loans secured by real estate with a book value totaling $1,323,008,000 at December 31, 2023 and $1,209,179,000 at December 31, 2022 and $1,046,242,000 at December 31, 2021. Also, the FHLB-Pittsburgh loan facility requires the Corporation to invest in established amounts of FHLB-Pittsburgh stock. The carrying values of the Corporation's holdings of FHLB-Pittsburgh stock (included in other assets) were $15,214,000 at December 31, 2023 and $14,168,000 at December 31, 2022 and $9,313,000 at December 31, 2021. The Corporation's total credit facility with FHLB-Pittsburgh was $839,378,000 $926,845,000 at December 31, 2022 December 31, 2023, including an unused (available) amount of $689,279,000. $737,824,000. At December 31, 2021 December 31, 2022, the Corporation's total credit facility with FHLB-Pittsburgh was $756,868,000, $839,378,000, including an unused (available) amount of $723,557,000. $689,279,000.

At December 31, 2023, the short-term borrowings included an overnight borrowing from FHLB-Pittsburgh of $6,500,000 at an interest rate of 5.68% and short-term advances maturing in the first quarter 2024 totaling $25,000,000 with a weighted average interest rate of 5.60%. At December 31, 2022, the overnight borrowing from FHLB-Pittsburgh was $77,000,000 at an interest rate of 4.45% with no other short-term advances. At December 31, 2021 there were no overnight borrowings or short-term advances from FHLB-Pittsburgh.

LONG-TERM BORROWINGS – FHLB ADVANCES

Long-term borrowings from FHLB-Pittsburgh are as follows:

(In Thousands)	December 31, 2022	December 31, 2021
Loans matured in 2022	$ 0	$ 15,452

Loans maturing in 2023 with a weighted-average rate of 1.35%	9,303	7,119
Loans maturing in 2024 with a weighted-average rate of 2.89%	29,813	5,099
Loans maturing in 2025 with a weighted-average rate of 3.94%	23,231	372
Total long-term FHLB-Pittsburgh borrowings	$ 62,347	$ 28,042

Note: Weighted-average rates are presented as of December 31, 2022.

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(In Thousands)	December 31, 2023	December 31, 2022
Loans matured in 2023	$ 0	$ 9,303
Loans maturing in 2024 with a weighted-average rate of 3.09%	32,161	29,813
Loans maturing in 2025 with a weighted-average rate of 4.30%	44,627	23,231
Loans maturing in 2026 with a weighted-average rate of 4.51%	35,518	0
Loans maturing in 2027 with a weighted-average rate of 4.00%	24,031	0
Loan maturing in 2028 with a rate of 3.72%	2,000	0
Total long-term FHLB-Pittsburgh borrowings	$ 138,337	$ 62,347

Note: Weighted-average rates are presented as of December 31, 2023.

SENIOR NOTES

On May 19, 2021, In 2021, the Corporation issued and sold $15.0 million in aggregate principal amount of 2.75% Fixed Rate Senior Unsecured Notes due 2026 (the "Senior Notes"). The Senior Notes mature on June 1, 2026 and bear interest at a fixed annual rate of 2.75%. The Corporation is not entitled to redeem the Senior Notes, in whole or in part, at any time prior to maturity and the Senior Notes are not subject to redemption by the holders. The Senior Notes are unsecured and unsubordinated obligations of the Corporation only and are not obligations of, and are not guaranteed by, any subsidiary of the Corporation.

The Senior Notes were recorded, net of debt issuance costs of $337,000, at an initial carrying amount of $14,663,000. Debt issuance costs are amortized over the term of the Senior Notes as an adjustment of the effective interest rate. Amortization of debt issuance costs associated with the Senior Notes totaling $66,000 in 2023, $64,000 in 2022 and $38,000 in 2021 was included in interest expense in the consolidated statements of income.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, outstanding Senior Notes are as follows:

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Senior Notes with an aggregate par value of $15,000,000; bearing interest at 2.75% with an effective interest rate of 3.23%; maturing in June 2026	$ 14,765	$ 14,701	$ 14,831	$ 14,765
Total carrying value	$ 14,765	$ 14,701	$ 14,831	$ 14,765

SUBORDINATED DEBT

On May 19, 2021, In 2021, the Corporation issued and sold $25.0 million in aggregate principal amount of 3.25% Fixed-to-Floating Rate Subordinated Notes due 2031 (the "Subordinated Notes"). The Subordinated Notes mature on June 1, 2031 and bear interest at a fixed annual rate of 3.25%, to June 1, 2026.

From June 1, 2026 to maturity or early redemption, the interest rate will reset quarterly to an interest rate per annum equal to the three-month Secured Overnight Financing Rate provided by the Federal Reserve Bank of New York plus 259 basis points. The Corporation is entitled to redeem the Subordinated Notes, in whole or in part, at any time on or after June 1, 2026, and to redeem the Subordinated Notes at any time in whole upon certain other events. Any redemption of the Subordinated Notes will be subject to prior regulatory approval to the extent required.

The Subordinated Notes are not subject to redemption at the option of the holders. The Subordinated Notes are unsecured, subordinated obligations of the Corporation only and are not obligations of, and are not guaranteed by, any subsidiary of the Corporation. The Subordinated Notes rank junior in right to payment to the Corporation's current and future senior indebtedness, including the Senior Notes (described above). The Subordinated Notes are intended to qualify as Tier 2 capital for regulatory capital purposes.

The Subordinated Notes were recorded, net of debt issuance costs of $563,000, at an initial carrying amount of $24,437,000. Debt issuance costs are amortized through June 1, 2026 as an adjustment of the effective interest rate. Amortization of debt issuance costs associated with the Subordinated Notes totaling $110,000 in 2023, $106,000 in 2022, and $63,000 in 2021 was included in interest expense in the consolidated statements of income.

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At December 31, 2022 December 31, 2023 and 2021, 2022, outstanding subordinated debt agreements are as follows:

(In Thousands)	December 31, 2022	December 31, 2021
Agreements with an aggregate par value of $6,500,000; bearing interest at 6.50%; maturing in April 2027 and redeemed at par in April 2022	$ 0	$ 6,500
Agreement with a par value of $2,000,000; bearing interest at 6.50% with an effective interest rate of 5.60%; maturing in July 2027 and redeemed at par in June 2022	0	2,008
Agreements with a par value of $25,000,000; bearing interest at 3.25% with an effective interest rate of 3.74%; maturing in June 2031 and redeemable at par in June 2026	24,607	24,501
Total carrying value	$ 24,607	$ 33,009

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(In Thousands)	December 31, 2023	December 31, 2022
Agreements with a par value of $25,000,000; bearing interest at 3.25% with an effective interest rate of 3.74%; maturing in June 2031 and redeemable at par in June 2026	$ 24,717	$ 24,607
Total carrying value	$ 24,717	$ 24,607

13. 12. EMPLOYEE AND POSTRETIREMENT BENEFIT PLANS

DEFINED BENEFIT PLANS

The Corporation sponsors a defined benefit health care plan that provides postretirement medical benefits and life insurance to employees who meet certain age and length of service requirements. Full-time employees no longer accrue service time toward the Corporation-subsidized portion of the medical benefits. The plan contains a cost-sharing feature which causes participants to pay for all future increases in costs related to benefit coverage. Accordingly, actuarial assumptions related to health care cost trend rates do not significantly affect the liability balance at December 31, 2022 December 31, 2023 and 2021 2022 and are not expected to significantly affect the Corporation's future expenses. The Corporation uses a December 31 measurement date for the postretirement plan.

In an acquisition in 2007, the Corporation assumed the Citizens Trust Company Retirement Plan, a defined benefit pension plan. This plan covers certain employees who were employed by Citizens Trust Company on December 31, 2002, when the plan was amended to discontinue admittance of any future participant and to freeze benefit accruals. Information related to the Citizens Trust Company Retirement Plan has been included in the tables that follow. The Corporation uses a December 31 measurement date for this plan.

The following table shows the funded status of the defined benefit plans:

	Pension		Postretirement		Pension		Postretirement	
(In Thousands)	**2022**	**2021**	**2022**	**2021**	**2023**	**2022**	**2023**	**2022**
CHANGE IN BENEFIT OBLIGATION:								
Benefit obligation at beginning of year	$ 1,128	$ 1,101	$ 1,297	$ 1,347	$ 946	$1,128	$ 935	$1,297
Service cost	0	0	63	63	0	0	54	63
Interest cost	22	20	34	33	31	22	48	34
Plan participants' contributions	0	0	137	148	0	0	129	137
Actuarial (gain) loss	(199)	12	(394)	(65)				
Actuarial loss (gain)					63	(199)	37	(394)
Benefits paid	(5)	(5)	(202)	(229)	(5)	(5)	(190)	(202)
Settlement of plan obligation					(139)	0	0	0
Benefit obligation at end of year	$ 946	$ 1,128	$ 935	$ 1,297	$ 896	$ 946	$ 1,013	$ 935
CHANGE IN PLAN ASSETS:								
Fair value of plan assets at beginning of year	$ 1,175	$ 1,062	$ 0	$ 0	$1,001	$1,175	$ 0	$ 0
Actual return on plan assets	(169)	118	0	0	89	(169)	0	0
Employer contribution	0	0	65	81	0	0	61	65
Plan participants' contributions	0	0	137	148	0	0	129	137
Benefits paid	(5)	(5)	(202)	(229)	(5)	(5)	(190)	(202)
Settlement of plan obligation					(139)	0	0	0
Fair value of plan assets at end of year	$ 1,001	$ 1,175	$ 0	$ 0	$ 946	$1,001	$ 0	$ 0
Funded status at end of year	$ 55	$ 47	$ (935)	$ (1,297)	$ 50	$ 55	$(1,013)	$ (935)

At December 31, 2022 December 31, 2023 and 2021, 2022, the following pension plan and postretirement plan asset and liability amounts were recognized in the consolidated balance sheets:

	Pension		Postretirement	
(In Thousands)	**2022**	**2021**	**2022**	**2021**
Other assets	$ 55	$ 47	$ 0	$ 0
Accrued interest and other liabilities	0	0	935	1,297

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	Pension		Postretirement	
(In Thousands)	**2023**	**2022**	**2023**	**2022**
Other assets	$ 50	$ 55	$ 0	$ 0

Accrued interest and other liabilities	0	0	1,013	935

At December 31, 2022 December 31, 2023 and 2021, 2022, the following items included in accumulated other comprehensive (loss) income loss had not been recognized as components of expense:

	Pension		Postretirement		Pension		Postretirement	
(In Thousands)	2022	2021	2022	2021	2023	2022	2023	2022
Prior service cost	$ 0	$ 0	$ (155)	$ (186)	$ 0	$ 0	$ (124)	$ (155)
Net actuarial loss (gain)	179	182	(646)	(271)	139	179	(573)	(646)
Total	$ 179	$ 182	$ (801)	$ (457)	$ 139	$ 179	$ (697)	$ (801)

For the defined benefit pension plan, amortization of the net actuarial loss is expected to be $11,000 $6,000 in 2023. 2024. For the postretirement plan, effective in January 2024, adjustments to the plan resulted in an increase of $413,000 in unrecognized prior service cost. In 2024, the estimated amount of reduction in expense related to prior service cost that will is $481,000, including a curtailment of $469,000 related to the plan adjustments. Also in 2024 for the postretirement plan, the net actuarial gain to be amortized from accumulated other comprehensive (loss) income into net periodic benefit cost in 2023 is as a reduction in expense of $31,000, and net actuarial gain of $36,000 is expected to be amortized in 2023. $77,000.

The accumulated benefit obligation for the defined benefit pension plan was $896,000 at December 31, 2023 and $946,000 at December 31, 2022 and $1,128,000 at December 31, 2021.

The components of net periodic benefit costs from defined benefit plans are as follows:

	Pension			Postretirement			Pension			Postretirement		
(In Thousands)	2022	2021	2020	2022	2021	2020	2023	2022	2021	2023	2022	2021
Service cost	$ 0	$ 0	$ 0	$ 63	$ 63	$ 46	$ 0	$ 0	$ 0	$ 54	$ 63	$ 63
Interest cost	22	20	23	34	33	39	31	22	20	48	34	33
Expected return on plan assets	(35)	(30)	(27)	0	0	0	(18)	(35)	(30)	0	0	0
Amortization of prior service cost	0	0	0	(31)	(31)	(31)	0	0	0	(31)	(31)	(31)
Recognized net actuarial loss (gain)	8	19	16	(19)	(5)	(14)	11	8	19	(36)	(19)	(5)
Settlement of plan obligation							21	0	0	0	0	0
Total net periodic benefit cost	$ (5)	$ 9	$ 12	$ 47	$ 60	$ 40	$ 45	$ (5)	$ 9	$ 35	$ 47	$ 60

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension			Postretirement			Pension			Postretirement		
	2022	2021	2020	2022	2021	2020	2023	2022	2021	2023	2022	2021
Discount rate	2.60 %	2.30 %	3.10 %	3.00 %	2.50 %	3.25 %	5.05 %	2.60 %	2.30 %	3.00 %	3.00 %	2.50 %
Expected return on plan assets	5.00 %	4.81 %	4.99 %	N/A	N/A	N/A	4.22 %	5.00 %	4.81 %	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The weighted-average assumptions used to determine benefit obligations as of December 31, 2022 December 31, 2023 and 2021 2022 are as follows:

	Pension		Postretirement		Pension		Postretirement	
	2022	2021	2022	2021	2023	2022	2023	2022
Discount rate	5.05 %	2.60 %	5.25 %	3.00 %	4.80 %	5.05 %	5.00 %	5.25 %
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Estimated future benefit payments, including only estimated employer contributions for the postretirement plan, which reflect expected future service, are as follows:

(In Thousands)	Pension	Postretirement
2023	$ 646	$ 64

2024	8	74
2025	8	81
2026	13	92
2027	8	87
2028-2032	291	398

No estimated minimum contribution to the defined benefit pension plan is required in 2023, though the Corporation may make discretionary contributions.

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Estimated future benefit payments, including only estimated employer contributions for the postretirement plan, which reflect expected future service, are as follows:

(In Thousands)	Pension	Postretirement
2024	$ 570	$ 74
2025	8	85
2026	14	98
2027	8	88
2028	260	97
2029-2033	36	493

No estimated minimum contribution to the defined benefit pension plan is required in 2024, though the Corporation may make discretionary contributions.

The expected return on pension plan assets is a significant assumption used in the calculation of net periodic benefit cost. This assumption reflects the average long-term rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation.

The fair values of pension plan assets at December 31, 2022 December 31, 2023 and 2021 2022 are as follows:

	2022	2021	2023	2022
Mutual funds invested principally in:				
Cash and cash equivalents	3 %	3 %	54 %	3 %
Debt securities	39 %	38 %	18 %	39 %
Equity securities	50 %	51 %	24 %	50 %
Alternative funds	8 %	8 %	4 %	8 %
Total	100 %	100 %	100 %	100 %

C&N Bank's Wealth Management Department manages the investment of the pension plan assets. The Plan's securities include mutual funds invested principally in cash and cash equivalents, debt securities, a diversified mix of large, mid- and small-capitalization U.S. stocks, foreign stocks and alternative asset classes such as real estate, commodities, and inflation-protected securities. The fair values of plan assets are determined based on Level 1 inputs (as described in Note 21) 20). The Plan's assets do not include any shares of the Corporation's common stock.

PROFIT SHARING AND DEFERRED COMPENSATION PLANS

The Corporation has a profit sharing plan that incorporates the deferred salary savings provisions of Section 401(k) of the Internal Revenue Code. The Corporation's matching contributions to the Plan depend upon the tax deferred contributions of employees. The Corporation's total basic and matching contributions were $1,419,000 in 2023, $1,415,000 in 2022 and $1,299,000 in 2021 and $1,050,000 in 2020. 2021.

The Corporation has an Employee Stock Ownership Plan (ESOP). Contributions to the ESOP are discretionary, and the ESOP uses funds contributed to purchase Corporation stock for the accounts of ESOP participants. These purchases are made in the market (not directly from the Corporation), and employees are not permitted to purchase Corporation stock under the ESOP. The ESOP includes a diversification feature, which allows participants, upon reaching age 55 and 10 years of service (as defined), to sell up to 50% of their Corporation shares over a period of 6 years. As of December 31, 2022 December 31, 2023 and 2021, 2022, there were no shares allocated for repurchase by the ESOP.

Dividends paid on shares held by the ESOP are charged to retained earnings. All Corporation shares owned through the ESOP are included in the calculation of weighted-average shares outstanding for purposes of calculating earnings per share – basic and diluted. The ESOP held 564,353 579,567 shares of Corporation stock at December 31, 2023, 564,353 shares at December 31, 2022, and 513,494 shares at December 31, 2021 and 481,478 shares at December 31, 2020, all of which had been allocated to Plan participants. The Corporation's contributions to the ESOP totaled $1,244,000 in 2023, $1,170,000 in 2022 and $1,040,000 in 2021 and $912,000 in 2020. 2021.

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The Corporation has a nonqualified supplemental deferred compensation arrangement with its key officers. Charges to operating expense for officers' supplemental deferred compensation were $489,000 in 2023, $391,000 in 2022 and $301,000 in 2021 and $286,000 in 2020. 2021.

In connection with the Covenant an acquisition, the Corporation assumed an obligation to provide a supplemental retirement benefit to a former Covenant executive. Under the terms of the agreement, the executive or his heirs will receive monthly payments totaling $1 million over a 10-year period starting in October 2025. Effective July 1, 2020, the Corporation recorded a liability of $499,000 representing the present value of the obligation prior to the executive fully vesting in the benefit. In 2020, the The Corporation recorded expense of $360,000, which is included $13,000 in merger-related expenses in the consolidated statements of income, representing the impact of the executive fully vesting upon the change in control. In addition, the Corporation recorded expense of 2023, $14,000 in 2022 and $13,000 in 2021, and $6,000 in 2020, which is included in pensions and other employee benefits in the consolidated statements of income, representing the effective interest cost on the obligation. The discount rate used to measure the liability is 1.5%. The balance of the liability, which is included in accrued interest and other liabilities in the consolidated balance sheets, is $905,000 at December 31, 2023 and $892,000 at December 31, 2022 and $878,000 at December 31, 2021.

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The Corporation also has a nonqualified deferred compensation plan that allows selected officers the option to defer receipt of cash compensation, including base salary and any cash bonuses or other cash incentives. This nonqualified deferred compensation plan does not provide for Corporation contributions.

STOCK-BASED COMPENSATION PLANS

The At the Annual Meeting of Shareholders on April 20, 2023, the Citizens & Northern Corporation has a Stock 2023 Equity Incentive Plan for a selected group of senior officers. ("2023 Equity Incentive Plan") was approved. A total of 850,000 500,000 shares of common stock may be issued under the Stock 2023 Equity Incentive Plan. Awards may be made to participating employees and independent directors under the Stock 2023 Equity Incentive Plan in the form of qualified options ("Incentive Stock Options," as defined in the Internal Revenue Code), nonqualified options, restricted stock appreciation rights units or restricted stock. Historically through December 31, 2022 stock, any or all of which can be granted with performance-based vesting conditions. As of December 31, 2023, all no awards had been granted under this plan.

Outstanding restricted stock awards granted prior to adoption of the 2023 Equity Incentive Plan, including awards made under this Plan have consisted of Incentive Stock Options or restricted stock. Incentive Stock Options have an exercise price equal to the market value of the stock at the date of grant, vest after 6 months and expire after 10 years. There in 2023, are 52,128 shares available for issuance governed under the 1995 Stock Incentive Plan as of December 31, 2022.

Also, the Corporation has an Independent Directors Stock Incentive Plan. This plan permits awards of nonqualified stock options and/or restricted stock to non-employee directors. A total of 235,000 shares of common stock may be issued under and the Independent Directors Stock Incentive Plan. The recipients' rights to exercise restricted stock options awards in 2023 under this plan expire 10 years from the date of grant. The exercise prices of all stock options awarded under 1995 Stock Incentive Plan and the Independent Directors Stock Incentive Plan are equal to market value as of the dates of grant. There are 87,520 shares available for issuance final awards under the Independent Directors Stock Incentive Plan as of December 31, 2022. these plans.

Total stock-based compensation expense is as follows:

(In Thousands)	2022	2021	2020	2023	2022	2021
Restricted stock	$ 1,260	$ 1,214	$ 1,050	$1,472	$1,260	$1,214
Stock options	0	0	0	0	0	0
Total	$ 1,260	$ 1,214	$ 1,050	$1,472	$1,260	$1,214

The following summarizes non-vested restricted stock activity for the year ended December 31, 2022 December 31, 2023:

	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, December 31, 2021	127,027	$ 21.37		
Outstanding, December 31, 2022			135,220	$ 23.23
Granted	78,243	$ 25.03	53,788	$ 23.35
Vested	(59,268)	$ 21.54	(53,738)	$ 23.46
Forfeited	(10,782)	$ 23.71	(25,261)	$ 22.11
Outstanding, December 31, 2022	135,220	$ 23.23		
Outstanding, December 31, 2023			110,009	$ 23.44

Compensation cost related to restricted stock is recognized based on the market price of the stock at the grant date over the vesting period, adjusted for estimated and actual forfeitures. As of December 31, 2022 December 31, 2023, there was $1,678,000 $1,262,000 total unrecognized compensation cost related to restricted stock, which is expected to be recognized over a weighted average period of 1.4 1.3 years.

In 2022 and 2021, the Corporation awarded shares of restricted stock under the Stock Incentive Plan, as follows:

	2022	2021
Time-based awards to independent directors	9,588	10,989
Time-based awards to employees	51,638	50,178
Performance-based awards to employees	17,017	17,224
Total	78,243	78,391

Time-based restricted stock awards granted under the Independent Directors Stock Incentive Plan in 2022 and 2021 vest over one-year terms. Time-based restricted stock awards granted to employees in 2022 and 2021 vest ratably over three-year terms, subject to continued employment and satisfactory job performance. Performance-based restricted stock awards granted in 2022 and 2021 vest ratably over three-year terms, with vesting contingent upon meeting conditions based on the Corporation's earnings as specified in the agreements.

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In 2023 and 2022, the Corporation awarded shares of restricted stock under the Stock Incentive Plan, as follows:

	2023	2022
Time-based awards to independent directors	11,000	9,588

Time-based awards to employees	31,684	51,638
Performance-based awards to employees	11,104	17,017
Total	53,788	78,243

Time-based restricted stock awards granted to independent (non-employee) directors in 2023 and 2022 vest over one-year terms. Time-based restricted stock awards granted to employees in 2023 and 2022 vest ratably over three-year terms, subject to continued employment and satisfactory job performance. Performance-based restricted stock awards granted in 2023 and 2022 vest ratably over three-year terms, with vesting contingent upon meeting conditions based on the Corporation's earnings as specified in the agreements.

There were no stock options granted in 2023, 2022, 2021, or 2020. 2021. A summary of stock option activity is presented below: below.

	2022		2021		2020	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	24,218	$ 20.01	57,111	$ 18.92	75,897	$ 18.69
Granted	0		0		0	
Exercised	(13,654)	$ 19.67	(22,429)	$ 18.96	(17,222)	$ 18.25
Forfeited	0		(3,156)	$ 19.20	(1,564)	$ 15.06
Expired	0		(7,308)	$ 15.06	0	$
Outstanding, end of year	10,564	$ 20.45	24,218	$ 20.01	57,111	$ 18.92
Options exercisable at year-end	10,564	$ 20.45	24,218	$ 20.01	57,111	$ 18.92
Weighted-average fair value of options forfeited		N/A		$ 4.59		$ 4.26

	2023		2022		2021	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	10,564	$ 20.45	24,218	$ 20.01	57,111	$ 18.92
Granted	0		0		0	
Exercised	(8,288)	$ 20.45	(13,654)	$ 19.67	(22,429)	$ 18.96
Forfeited	(1,630)	$ 20.45	0		(3,156)	$ 19.20
Expired	0		0		(7,308)	$ 15.06
Outstanding, end of year	646	$ 20.45	10,564	$ 20.45	24,218	$ 20.01
Options exercisable at year-end	646	$ 20.45	10,564	$ 20.45	24,218	$ 20.01
Weighted-average fair value of options forfeited		$ 5.50		N/A		$ 4.59

The weighted-average remaining contractual term 646 shares of outstanding stock options at December 31, 2022 was 1.0 years. December 31, 2023 expired on January 3, 2024. The aggregate intrinsic value of stock options outstanding was $25,000 $1,000 at December 31, 2022 December 31, 2023. The total intrinsic value of options exercised was $14,000 in 2023, $76,000 in 2022 and $97,000 in 2021 and $128,000 in 2020.

The Corporation has issued shares from treasury stock for almost all stock option exercises through December 31, 2022. Management does not anticipate that stock repurchases will be necessary to accommodate stock option exercises in 2023. 2021.

In January 2023, 2024, the Corporation awarded 42,788 granted 53,514 shares of restricted stock under the Stock Incentive Plan and 11,000 shares of restricted stock under the Independent Directors Stock Incentive Plans. The January 2023 time-based restricted stock awards under the Stock 2023 Equity Incentive Plan Plan. Of the 53,514 restricted shares, 43,514 vest ratably over three years. The 2023 years while 10,000 issued to independent directors' vest over one year. In February 2024, the Corporation granted 19,346 shares of performance-based restricted stock issued under the Independent Directors Stock Incentive Plan vests awards. These performance-based restricted stock awards vest ratably over one year. three years, with vesting contingent upon meeting earnings-related conditions specified in agreements. Total estimated stock-based compensation expense for 2023 2024 is $1,500,000. The restricted stock awards made in January 2023 and February 2024 are not included in the tables above.

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14. 13. INCOME TAXES

The net deferred tax asset at December 31, 2022 December 31, 2023 and 2021 2022 represents the following temporary difference components:

(In Thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Deferred tax assets:				
Unrealized holding losses on securities	$ 13,391	$ 0	$ 10,335	$ 13,391
Allowance for loan losses	3,648	2,935		
Allowance for credit losses on loans			4,230	3,648
Purchase accounting adjustments on loans	938	1,621	470	938
Deferred compensation	1,149	965	1,352	1,149
Operating leases liability	907	821	787	907
Deferred loan origination fees	779	333	731	779
Net operating loss carryforward	659	778	541	659
Accrued incentive compensation	354	529	463	354
Other deferred tax assets	1,115	1,433	1,316	1,115
Total deferred tax assets	22,940	9,415	20,225	22,940
Deferred tax liabilities:				
Unrealized holding gains on securities	0	1,278		
BOLI surrender			950	0
Defined benefit plans - ASC 835	129	57	119	129
Bank premises and equipment	298	460	291	298
Core deposit intangibles	633	725	544	633
Right-of-use assets from operating leases	907	821	787	907
Other deferred tax liabilities	89	187	93	89
Total deferred tax liabilities	2,056	3,528	2,784	2,056
Deferred tax asset, net	$ 20,884	$ 5,887	$ 17,441	$ 20,884

The provision for income taxes includes the following:

(In Thousands)	2022	2021	2020	2023	2022	2021
Currently payable	$ 5,998	$ 8,386	$ 4,230	$5,499	$5,998	$ 8,386
Tax expense resulting from allocations of certain tax benefits to equity or as a reduction in other assets	134	128	121	0	134	128
Deferred	(400)	(1,381)	(361)	836	(400)	(1,381)
Total provision	$ 5,732	$ 7,133	$ 3,990	$6,335	$5,732	$ 7,133

A reconciliation of income tax at the statutory rate to the Corporation's effective rate is as follows:

	2022		2021		2020	
(Dollars In Thousands)	Amount	%	Amount	%	Amount	%
Expected provision	$ 6,794	21.0	$ 7,914	21.0	$ 4,875	21.0
Tax-exempt interest income	(1,029)	(3.2)	(921)	(2.4)	(808)	(3.5)
Increase in cash surrender value and other income from life insurance, net	(103)	(0.3)	(118)	(0.3)	(170)	(0.7)

ESOP dividends	(130)	(0.4)	(120)	(0.3)	(110)	(0.5)
State income tax, net of Federal benefit	296	0.9	375	1.0	172	0.7
Other, net	(96)	(0.3)	3	0.0	31	0.1
Effective income tax provision	$ 5,732	17.7	$ 7,133	18.9	$ 3,990	17.2

	2023		2022		2021	
(Dollars In Thousands)	Amount	%	Amount	%	Amount	%
Expected provision	$ 6,401	21.0	$ 6,794	21.0	$ 7,914	21.0
Tax-exempt interest income	(964)	(3.2)	(1,029)	(3.2)	(921)	(2.4)
Increase in cash surrender value and other income from life insurance, net	(586)	(1.9)	(103)	(0.3)	(118)	(0.3)
ESOP dividends	(143)	(0.5)	(130)	(0.4)	(120)	(0.3)
Initiated surrender of bank-owned life insurance	950	3.1	0	0.0	0	0.0
State income tax, net of Federal benefit	329	1.1	296	0.9	375	1.0
Nondeductible interest expense	283	0.9	87	0.3	52	0.1
Other, net	65	0.3	(183)	(0.6)	(49)	(0.1)
Effective income tax provision	$ 6,335	20.8	$ 5,732	17.7	$ 7,133	18.9

In connection with the 2020 Covenant merger, the

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The Corporation received has a net operating loss ("NOL") available to be carried forward against future federal taxable income of $4.6 million. income. Availability of the NOL does not expire; however, the amount that may be offset against taxable income is limited to approximately $563,000 per year and further limited annually to no more than 80% of taxable income without regard to the NOL. At December 31, 2022 December 31, 2023, the unused amount of the NOL is $3.1 million $2.6 million.

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The Corporation has no unrecognized tax benefits, nor pending examination issues related to tax positions taken in preparation of its income tax returns. With limited exceptions, the Corporation is no longer subject to examination by the Internal Revenue Service for years prior to 2019. 2020.

15. 14. RELATED PARTY TRANSACTIONS

Loans to executive officers, directors of the Corporation and its subsidiaries and any associates of the foregoing persons are as follows:

(In Thousands)	Beginning Balance	New Loans	Repayments	Other Changes	Ending Balance	Beginning Balance	New Loans	Repayments	Other Changes	Ending Balance
13 directors, 10 executive officers 2022	$ 13,911	$ 1,949	$ (1,886)	$ 530	$ 14,504					
11 directors, 11 executive officers 2023						$14,504	$ 549	$ (823)	$ (255)	$13,975
13 directors, 9 executive officers 2022						$13,911	$1,949	$ (1,886)	$ 530	$14,504
13 directors, 9 executive officers 2021	$ 18,445	$ 1,249	$ (6,034)	$ 251	$ 13,911	$18,445	$1,249	$ (6,034)	$ 251	$13,911
13 directors, 9 executive officers 2020	$ 14,455	$ 242	$ (2,150)	$ 5,898	$ 18,445					

In the table above, other changes represent net changes in the balance of existing lines of credit and transfers in and out of the related party category.

Deposits from related parties held by the Corporation amounted to $9,014,000 at December 31, 2023 and $10,882,000 at December 31, 2022 and $10,124,000 at December 31, 2021.

16. 15. OFF-BALANCE SHEET RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of these instruments express the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss from nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Financial instruments whose contract amounts represent credit risk at December 31, 2022 December 31, 2023 and 2021 2022 are as follows:

(In Thousands)	2022	2021
Commitments to extend credit	$433,725	$366,076
Standby letters of credit	15,822	10,079

(In Thousands)	2023	2022
Commitments to extend credit	$395,997	$433,725
Standby letters of credit	19,158	15,822

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation, for extensions of credit is based on management's credit assessment of the counterparty.

Standby letters of credit are conditional commitments issued by the Corporation guaranteeing performance by a customer to a third party. Those guarantees are issued primarily to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending

loan facilities to customers. Some of the standby letters of credit are collateralized by real estate or other assets, and others are unsecured. The extent to which proceeds from liquidation of collateral would be expected to cover the maximum potential amount of future payments related to standby letters of credit is not estimable. The Corporation has recorded no liability associated with standby letters of credit as of December 31, 2022 and 2021.

Standby letters of credit as of December 31, 2022 December 31, 2023 expire as follows:

Year of Expiration	(In Thousands)	(In Thousands)
2023	$ 15,110	
2024	311	$ 18,694
2025	348	411
2026	25	25
2027		0
2028	28	28
Total	$ 15,822	$ 19,158

Information related to the allowance for credit losses on off-balance sheet exposures is provided in Note 7.

17. 16. OPERATING LEASE COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

Operating leases in which the Corporation is the lessee are recorded as operating lease Right of Use ("ROU") assets and operating lease liabilities, included in other assets and other liabilities, respectively, on the consolidated balance sheets. The Corporation does not currently have any finance leases. Operating lease ROU assets represent the right to use an underlying asset during the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets

The Corporation leases certain branch locations, office space and equipment. All leases are classified as operating lease liabilities were recognized as of the date of adoption of ASU 2017-02 based on the present value of the remaining lease payments using a discount rate that represented the then Corporation's incremental borrowing rate at the date of initial application.

leases. Operating lease expense, which is comprised of amortization of the ROU assets and the implicit interest accreted on the operating lease liability, is recognized on a straight line basis over the remaining lease term of the operating lease, and is recorded in office occupancy expense in the consolidated statements of income. The leases relate to Bank branches with remaining lease terms of generally 1 to 10 years.

The Corporation leases certain branch locations, office space and equipment. All leases are classified as operating leases. lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the lease term.

Certain leases include options to renew, with renewal terms that can extend the lease term from one to eight years that are reasonably certain of being exercised. The discount rate used in determining the lease liability for each individual lease was the FHLB fixed advance rate which corresponded with the remaining lease term as of January 1, 2019 for leases that existed at adoption of ASU 2017-02 and as of the lease commencement date for leases subsequently entered into after January 1, 2019. At December 31, 2022 December 31, 2023, discount rates ranged from 0.84% to 3.50% 4.16% with a weighted-average discount rate of 1.98% 1.96%. At December 31, 2023, the weighted-average remaining lease term was 4.6 years. At December 31, 2022, the weighted-average discount rate was 1.98% and the weighted-average remaining lease term was 5.1 years.

At December 31, 2021, the weighted-average discount rate was 1.90% and the weighted-average remaining lease term was 4.8 years.

As shown in the table below, at December 31, 2022 December 31, 2023, right-of-use assets of $4,133,000 $3,570,000 were included in other assets, and the related lease liabilities totaling the same amount were included in accrued interest and other liabilities, in the consolidated balance sheets. At December 31, 2021 December 31, 2022, right of use assets and the related liabilities totaled $3,751,000. $4,133,000.

(In Thousands)	December 31, 2022	December 31, 2021
Other assets	$ 4,133	$ 3,751
Other liabilities	$ 4,133	$ 3,751

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In 2023, 2022 2021 and 2020, 2021, operating lease expenses are included in the following line item of the consolidated statements of income:

(In Thousands)	2022	2021	2020	2023 2022	2021
Net occupancy and equipment expense	$ 599	$ 492	$ 371	$644 $599	$492
Total	$ 599	$ 492	$ 371	$644 $599	$492

A maturity analysis of the Corporation's lease liabilities at December 31, 2022 December 31, 2023 is as follows:

(In Thousands)

Lease Payments Due

2023	$ 643	
2024	622	$ 623
2025	593	593
2026	532	533
2027	509	509
2028		419
Thereafter	1,565	1,147
Total lease payments	4,464	3,824
Discount on cash flows	(331)	(254)
Total lease liabilities	$ 4,133	$ 3,570

Litigation Matters

In the normal course of business, the Corporation is subject to pending and threatened litigation in which claims for monetary damages are asserted. In management's opinion, the Corporation's financial position and results of operations would not be materially affected by the outcome of these legal proceedings.

Trust Department Tax Reporting Contingency

The Corporation has incurred operational losses from compliance oversight related to trust department tax preparation and administration activities that occurred prior to 2020. In 2020, the Corporation made changes in internal controls and personnel responsible for trust department tax administration activities. Management implemented the changes in internal controls and personnel in an effort to mitigate and prevent the likelihood of new instances of non-compliance from trust department tax administration activities. In 2022, the Corporation recorded a net reduction in expense of $459,000 related to trust department tax compliance matters, resulting mainly from favorable rulings on two matters. Losses related to trust department tax compliance matters totaled $164,000 in 2021 and $571,000 in 2020. The net reduction in expense in 2022 and the losses in 2021 and 2020 are included in other noninterest expense in the consolidated statements of income. The balance of accrued interest and other liabilities in the consolidated balance sheets includes $122,000 at December 31, 2022 and $465,000 at December 31, 2021 related to trust department tax compliance matters.

18. 17. REGULATORY MATTERS

In August 2018, the Federal Reserve Board issued an interim final rule that expanded applicability of the Board's small bank holding company policy statement. The interim final rule raised the policy statement's asset threshold from $1 billion to $3 billion in total consolidated assets for a bank holding company or savings and loan holding company that: (1) is not engaged in significant nonbanking activities; (2) does not conduct significant off-balance sheet activities; and (3) does not have a material amount of debt or equity securities, other than trust-preferred securities, outstanding. The interim final rule provides that, if warranted for supervisory purposes, the Federal Reserve may exclude a company from the threshold increase. Management believes the Corporation meets the conditions of the Federal Reserve's small bank holding company policy statement and is therefore excluded from consolidated capital requirements at December 31, 2022 December 31, 2023; however, C&N Bank remains subject to regulatory capital requirements administered by the federal banking agencies.

Details concerning capital ratios at December 31, 2023 and 2022 are presented below. Management believes, as of December 31, 2023, that C&N Bank meets all capital adequacy requirements to which it is subject and maintains a capital conservation buffer (described in more detail below) that allows the Bank to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. Further, as reflected in the table below, the Corporation's and C&N Bank's capital ratios at December 31, 2023 and 2022 exceed the Corporation's Board policy threshold levels.

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Details concerning capital ratios at December 31, 2022 and December 31, 2021 are presented below. Management believes, as of December 31, 2022, that C&N Bank meets all capital adequacy requirements to which it is subject and maintains a capital conservation buffer (described in more detail below) that allows the Bank to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. Further, as reflected in the table below, the Corporation's and C&N Bank's capital ratios at December 31, 2022 and December 31, 2021 exceed the Corporation's Board policy threshold levels.

(Dollars In Thousands)	Actual		Minimum Capital Requirement		Minimum To Maintain Capital Conservation Buffer at Reporting Date		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		Minimum To Meet the Corporation's Policy Thresholds		Actual		Minimum Capital Requirement		Minimum To Maintain Capital Conservation Buffer at Reporting Date	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023:																
Total capital to risk-weighted assets:																
Consolidated											$ 290,425	15.67 %	N/A	N/A	N/A	N/A
C&N Bank											275,307	14.89 %	147,925	³8 %	194,151	³10.5 %
Tier 1 capital to risk-weighted assets:																
Consolidated											245,810	13.27 %	N/A	N/A	N/A	N/A
C&N Bank											255,409	13.81 %	110,943	³6 %	157,170	³8.5 %
Common equity tier 1 capital to risk-weighted assets:																
Consolidated											245,810	13.27 %	N/A	N/A	N/A	N/A
C&N Bank											255,409	13.81 %	83,208	³4.5 %	129,434	³7.0 %
Tier 1 capital to average assets:																
Consolidated											245,810	9.87 %	N/A	N/A	N/A	N/A
C&N Bank											255,409	10.32 %	99,010	³4 %	N/A	N/A
December 31, 2022:																

Total capital to risk-weighted assets:																
Consolidated	$ 285,397	15.72 %	N/A	N/A	N/A	N/A	N/A	N/A	$190,590	³10.5 %	$ 285,397	15.72 %	N/A	N/A	N/A	N/A
C&N Bank	265,784	14.68 %	144,873	³8 %	190,145	³10.5 %	181,091	³10 %	190,145	³10.5 %	265,784	14.68 %	144,873	³8 %	190,145	³10.5 %
Tier 1 capital to risk-weighted assets:																
Consolidated	243,750	13.43 %	N/A	N/A	N/A	N/A	N/A	N/A	154,287	³8.5 %	243,750	13.43 %	N/A	N/A	N/A	N/A
C&N Bank	248,744	13.74 %	108,654	³6 %	153,927	³8.5 %	144,873	³8 %	153,927	³8.5 %	248,744	13.74 %	108,654	³6 %	153,927	³8.5 %
Common equity tier 1 capital to risk-weighted assets:																
Consolidated	243,750	13.43 %	N/A	N/A	N/A	N/A	N/A	N/A	127,060	³7 %	243,750	13.43 %	N/A	N/A	N/A	N/A
C&N Bank	248,744	13.74 %	81,491	³4.5 %	126,764	³7.0 %	117,709	³6.5 %	126,764	³7 %	248,744	13.74 %	81,491	³4.5 %	126,764	³7.0 %
Tier 1 capital to average assets:																
Consolidated	243,750	10.11 %	N/A	N/A	N/A	N/A	N/A	N/A	192,941	³8 %	243,750	10.11 %	N/A	N/A	N/A	N/A
C&N Bank	248,744	10.38 %	95,826	³4 %	N/A	N/A	119,783	³5 %	191,652	³8 %	248,744	10.38 %	95,826	³4 %	N/A	N/A
December 31, 2021:																
Total capital to risk-weighted assets:																
Consolidated	$ 287,614	18.21 %	N/A	N/A	N/A	N/A	N/A	N/A	$165,846	³10.5 %						
C&N Bank	252,606	16.04 %	126,012	³8 %	165,390	³10.5 %	157,514	³10 %	165,390	³10.5 %						
Tier 1 capital to risk-weighted assets:																
Consolidated	240,433	15.22 %	N/A	N/A	N/A	N/A	N/A	N/A	134,256	³8.5 %						
C&N Bank	238,434	15.14 %	94,509	³6 %	133,887	³8.5 %	126,012	³8 %	133,887	³8.5 %						
Common equity tier 1 capital to risk-weighted assets:																
Consolidated	240,433	15.22 %	N/A	N/A	N/A	N/A	N/A	N/A	110,564	³7 %						
C&N Bank	238,434	15.14 %	70,881	³4.5 %	110,260	³7.0 %	102,384	³6.5 %	110,260	³7 %						
Tier 1 capital to average assets:																
Consolidated	240,433	10.53 %	N/A	N/A	N/A	N/A	N/A	N/A	182,683	³8 %						
C&N Bank	238,434	10.52 %	90,688	³4 %	N/A	N/A	113,360	³5 %	181,376	³8 %						

Federal regulatory authorities impose a capital rule providing that, to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization subject to the rule must hold a capital conservation buffer composed of common equity tier 1 capital above its minimum risk-based capital requirements. The buffer is measured relative to risk-weighted assets. At December 31, 2022 December 31, 2023, the minimum risk-based capital ratios, and the capital ratios including the capital conservation buffer, are as follows:

Minimum common equity tier 1 capital ratio	4.5 %
Minimum common equity tier 1 capital ratio plus capital conservation buffer	7.0 %
Minimum tier 1 capital ratio	6.0 %
Minimum tier 1 capital ratio plus capital conservation buffer	8.5 %
Minimum total capital ratio	8.0 %
Minimum total capital ratio plus capital conservation buffer	10.5 %

A banking organization with a buffer greater than 2.5% over the minimum risk-based capital ratios would not be subject to additional limits on dividend payments or discretionary bonus payments; however, a banking organization with a buffer less than 2.5% would be subject to increasingly stringent limitations as the buffer approaches zero. Also, a banking organization is prohibited from making dividend payments or discretionary bonus payments if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5% as of the beginning of that quarter. Eligible net income is defined as net income for the four calendar

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quarters preceding the current calendar quarter, net of any distributions and associated tax effects not already reflected in net income. A summary of payout restrictions based on the capital conservation buffer is as follows:

Capital Conservation Buffer (as a % of risk-weighted assets)	**Maximum Payout (as a % of eligible retained income)**	
Greater than 2.5%	No payout limitation applies	
≤2.5% and >1.875%	60	%
≤1.875% and >1.25%	40	%
≤1.25% and >0.625%	20	%
≤0.625%	0	%

At December 31, 2022 December 31, 2023, C&N Bank's Capital Conservation Buffer, determined based on the minimum total capital ratio, was 6.68% 6.89%.

Banking regulators limit the amount of dividends that may be paid by C&N Bank to the Corporation. Retained earnings against which dividends may be paid without prior approval of the banking regulators amounted to approximately $96,803,000 $101,550,000 at December 31, 2022 December 31, 2023, subject to the minimum capital ratio requirements noted above.

Restrictions imposed by federal law prohibit the Corporation from borrowing from C&N Bank unless the loans are secured in specific amounts. Such secured loans to the Corporation are generally limited to 10% of C&N Bank's tangible stockholder's equity (excluding accumulated other comprehensive income) loss) or $24,614,000 $25,277,000 at December 31, 2022 December 31, 2023.

19. 18. PARENT COMPANY ONLY

The following is condensed financial information for Citizens & Northern Corporation:

CONDENSED BALANCE SHEET (In Thousands)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2023**	**Dec. 31, 2022**
ASSETS				
Cash	$ 17,867	$ 33,518	$ 14,822	$ 17,867
Investment in subsidiaries:				
Citizens & Northern Bank	254,809	298,797	272,286	254,809
Citizens & Northern Investment Corporation	12,453	13,085	11,087	12,453
Bucktail Life Insurance Company	3,637	3,825	3,733	3,637
Other assets	33	33	200	33
TOTAL ASSETS	$ 288,799	$ 349,258	$302,128	$288,799

LIABILITIES AND STOCKHOLDERS' EQUITY				
Senior notes, net	$ 14,765	$ 14,701	$ 14,831	$ 14,765
Subordinated debt, net	24,607	33,009	24,717	24,607
Other liabilities	102	143	199	102
Stockholders' equity	249,325	301,405	262,381	249,325
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 288,799	$ 349,258	$302,128	$288,799

CONDENSED INCOME STATEMENT (In Thousands)	2022	2021	2020	2023	2022	2021
Dividends from Citizens & Northern Bank	$ 19,483	$ 20,200	$ 38,507	$ 19,405	$19,483	$ 20,200
Dividends from Citizens & Northern Investment Corporation				1,800	0	0
Expenses	(1,695)	(1,691)	(1,488)	(2,003)	(1,695)	(1,691)
Income before equity in undistributed income (excess distributions) of subsidiaries	17,788	18,509	37,019			
Equity in undistributed income (excess distributions) of subsidiaries	8,830	12,045	(17,797)			
Income before equity in undistributed income of subsidiaries				19,202	17,788	18,509
Equity in undistributed income of subsidiaries				4,946	8,830	12,045
NET INCOME	$ 26,618	$ 30,554	$ 19,222	$ 24,148	$26,618	$ 30,554

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CONDENSED STATEMENT OF CASH FLOWS (In Thousands)	2022	2021	2020	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income	$ 26,618	$ 30,554	$ 19,222	$ 24,148	$ 26,618	$ 30,554
Adjustments to reconcile net income to net cash provided by operating activities:						
Accretion of purchase accounting adjustment	(14)	(43)	(38)	0	(14)	(43)
Amortization of debt issuance costs	170	101	0	176	170	101
Equity in (undistributed income) excess distributions of subsidiaries	(8,830)	(12,045)	17,797			
(Increase) decrease in other assets	0	(29)	105			
(Decrease) increase in other liabilities	(41)	(16)	13			
Equity in undistributed income of subsidiaries				(4,946)	(8,830)	(12,045)
Increase in other assets				(167)	0	(29)
Increase (decrease) in other liabilities				97	(41)	(16)
Net Cash Provided by Operating Activities	17,903	18,522	37,099	19,308	17,903	18,522
CASH FLOWS FROM INVESTING ACTIVITIES,						
Net cash used in business combination	0	0	(21,837)			
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from issuance of senior notes and subordinated debt	0	39,100	0	0	0	39,100
Repayment of subordinated debt	(8,500)	(8,000)	0	0	(8,500)	(8,000)
Proceeds from sale of treasury stock	160	212	131	0	160	212
Purchase of treasury stock	(9,349)	(7,586)	(163)	(6,784)	(9,349)	(7,586)

Dividends paid	(15,865)	(15,976)	(14,469)	(15,569)	(15,865)	(15,976)
Net Cash (Used in) Provided by Financing Activities	(33,554)	7,750	(14,501)	(22,353)	(33,554)	7,750
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,651)	26,272	761	(3,045)	(15,651)	26,272
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,518	7,246	6,485	17,867	33,518	7,246
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,867	$ 33,518	$ 7,246	$ 14,822	$ 17,867	$ 33,518
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:						
Investment of net assets acquired in business combination in Citizens & Northern Bank	$ 0	$ 0	$ 73,426			
Common equity issued in business combination	$ 0	$ 0	$ 41,429			
Subordinated debt assumed in business combination	$ 0	$ 0	$ 10,091			
Other liabilities assumed in business combination	$ 0	$ 0	$ 69			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION,						
Interest paid	$ 1,433	$ 1,567	$ 655	$ 1,234	$ 1,433	$ 1,567

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20. 19. DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is a party to derivative financial instruments. These financial instruments consist of interest rate swap agreements and risk participation agreements (RPAs) which contain master netting and collateral provisions designed to protect the party at risk.

Interest rate swaps with commercial loan banking customers were executed to facilitate their respective risk management strategies. Under the terms of these arrangements, the commercial banking customers effectively exchanged their floating interest rate exposures on loans into fixed interest rate exposures. Those interest rate swaps have been simultaneously economically hedged by offsetting interest rate swaps with a third party, such that the Corporation has effectively exchanged its fixed interest rate exposures for floating rate exposures. These derivatives are not designated as hedges and are not speculative. Rather, these derivatives result from a service provided to certain customers. As the interest rate swaps associated with this program do not meet the hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings.

The aggregate notional amount of interest rate swaps was $150,028,000 at December 31, 2023 and $155,214,000 at December 31, 2022. There were no interest rate swaps originated in 2023 and $123,094,000 at December 31, 2021. The Corporation originated one interest rate swap originated with a notional amount of $24,000,000 in 2022 and originated no interest rate swaps in 2021. 2022. There were no gross amounts of interest rate swap-related assets and liabilities not offset in the consolidated balance sheets at December 31, 2022 December 31, 2023. The net impact of interest rate swaps on interest income on loans was a reduction an increase of $1,796,000 in 2023, compared to reductions of $342,000 in 2022 and $1,347,000 in 2021 and $698,000 in 2020. Fee 2021. In 2022, there was fee income on the interest swap originated in 2022 of $290,000 is included in other noninterest income in the consolidated statements of income.

The Corporation has entered into an RPA with another institution as a means to assume a portion of the credit risk associated with a loan structure which includes a derivative instrument, in exchange for fee income commensurate with the risk assumed. This type of derivative is referred to as an “RPA In.” In addition, in an effort to reduce the credit risk associated with an interest rate swap agreement with a borrower for whom the Corporation has provided a loan structured with a derivative, the Corporation purchased an RPA from an institution participating in the facility in exchange for a fee commensurate with the risk shared. This type of derivative is referred to as an "RPA Out." The net impact on the consolidated statements of income from RPAs was an increase in other noninterest income of $18,000 in 2023 and a reduction decrease in other noninterest income of $14,000 in 2022. The Corporation did not enter into any RPAs prior to 2022.

The table below presents the fair value of the Corporation's derivative financial instruments as well as their classification on the consolidated balance sheets at December 31, 2022 December 31, 2023 and 2021: 2022:

(In Thousands)	At December 31, 2022				At December 31, 2021				At December 31, 2023				At December 31, 2022			
	Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives		Asset Derivatives		Liability Derivatives	
	Notional Amount	Fair Value (1)	Notional Amount	Fair Value (2)	Notional Amount	Fair Value (1)	Notional Amount	Fair Value (2)	Notional Amount	Fair Value (1)	Notional Amount	Fair Value (2)	Notional Amount	Fair Value (1)	Notional Amount	Fair Value (2)
Interest rate swap agreements	$77,607	$3,638	$77,607	$3,638	$61,547	$3,104	$61,547	$3,104	$75,014	$2,783	$75,014	$2,783	$77,607	$3,638	$77,607	$3,638
RPA Out	7,200	0	0	0	0	0	0	0	7,082	11	0	0	7,200	0	0	0
RPA In	0	0	10,000	19	0	0	0	0	0	0	10,000	13	0	0	10,000	19

(1) Included in other assets in the consolidated balance sheets.
(2) Included in accrued interest and other liabilities in the consolidated balance sheets.

The Corporation's agreements with its derivative counterparties provide that if the Corporation defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Corporation could also be declared in default on its derivative obligations. Further, if the Corporation were to fail to maintain its status as a well or adequately capitalized institution, then the counterparties could terminate the derivative positions and the Corporation would be required to settle its obligations under the agreements. Available-for-sale securities with a carrying value of $2,259,000 were There was $1,360,000 in interest-bearing cash pledged as collateral against the Corporation's liability related to the interest rate swaps at December 31, 2022 December 31, 2023.

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21. 20. FAIR VALUE MEASUREMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Corporation measures certain assets at fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820, "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The Corporation monitors and evaluates available data relating to fair value measurements on an ongoing basis and recognizes transfers among the levels of the fair value hierarchy as of the date of an event or change in circumstances that affects the valuation method chosen. Examples of such changes may include the market for a particular asset becoming active or inactive, changes in the availability of quoted prices, or changes in the availability of other market data.

At December 31, 2022 December 31, 2023 and 2021, 2022, assets measured at fair value and the valuation methods used are as follows:

(In Thousands)	December 31, 2022 Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Recurring fair value measurements, assets:				
AVAILABLE-FOR-SALE DEBT SECURITIES:				
Obligations of the U.S. Treasury	$ 31,836	$ 0	$ 0	$ 31,836
Obligations of U.S. Government agencies	0	23,430	0	23,430
Bank holding company debt securities	0	25,386	0	25,386
Obligations of states and political subdivisions:				
Tax-exempt	0	132,623	0	132,623
Taxable	0	56,812	0	56,812
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	0	99,941	0	99,941
Residential collateralized mortgage obligations	0	40,296	0	40,296
Commercial mortgage-backed securities	0	79,686	0	79,686
Private label commercial mortgage-backed securities	0	8,023	0	8,023
Total available-for-sale debt securities	31,836	466,197	0	498,033
Marketable equity security	859	0	0	859
Servicing rights	0	0	2,653	2,653
Interest rate swap agreements, assets	0	3,638	0	3,638
Total recurring fair value measurements, assets	$ 32,695	$ 469,835	$ 2,653	$ 505,183
Recurring fair value measurements, liabilities,				
Interest rate swap agreements, liabilities	$ 0	$ 3,638	$ 0	$ 3,638
Nonrecurring fair value measurements, assets:				
Impaired loans, net	$ 0	$ 0	$ 3,007	$ 3,007
Foreclosed assets held for sale	0	0	275	275
Total nonrecurring fair value measurements, assets	$ 0	$ 0	$ 3,282	$ 3,282

(In Thousands)	December 31, 2023 Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value
Recurring fair value measurements, assets:				
AVAILABLE-FOR-SALE DEBT SECURITIES:				
Obligations of the U.S. Treasury	$ 11,290	$ 0	$ 0	$ 11,290
Obligations of U.S. Government agencies	0	9,946	0	9,946
Bank holding company debt securities	0	23,500	0	23,500
Obligations of states and political subdivisions:				
Tax-exempt	0	104,199	0	104,199
Taxable	0	50,111	0	50,111
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	0	95,405	0	95,405
Residential collateralized mortgage obligations	0	46,462	0	46,462
Commercial mortgage-backed securities	0	66,682	0	66,682

Private label commercial mortgage-backed securities	0	8,160	0	8,160
Total available-for-sale debt securities	11,290	404,465	0	415,755
Marketable equity security	871	0	0	871
Servicing rights	0	0	2,659	2,659
RPA Out	0	11	0	11
Interest rate swap agreements, assets	0	2,783	0	2,783
Total recurring fair value measurements, assets	$ 12,161	$ 407,259	$ 2,659	$ 422,079
Recurring fair value measurements, liabilities,				
RPA In	$ 0	$ 13	$ 0	$ 13
Interest rate swap agreements, liabilities	0	2,783	0	2,783
Total recurring fair value measurements, liabilities	$ 0	$ 2,796	$ 0	$ 2,796
Nonrecurring fair value measurements, assets:				
Loans individually evaluated for credit loss, net	$ 0	$ 0	$ 7,786	$ 7,786
Foreclosed assets held for sale	0	0	478	478
Total nonrecurring fair value measurements, assets	$ 0	$ 0	$ 8,264	$ 8,264

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	December 31, 2021			
(In Thousands)	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total Fair Value**
Recurring fair value measurements, assets:				
AVAILABLE-FOR-SALE DEBT SECURITIES:				
Obligations of the U.S. Treasury	$ 24,912	$ 0	$ 0	$ 24,912
Obligations of U.S. Government agencies	0	24,091	0	24,091
Bank holding company debt securities	0	17,987	0	17,987
Obligations of states and political subdivisions:				
Tax-exempt	0	148,028	0	148,028
Taxable	0	72,765	0	72,765
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	0	98,181	0	98,181
Residential collateralized mortgage obligations	0	44,247	0	44,247
Commercial mortgage-backed securities	0	87,468	0	87,468
Total available-for-sale debt securities	24,912	492,767	0	517,679
Marketable equity security	971	0	0	971
Servicing rights	0	0	2,329	2,329
Interest rate swap agreements, assets	0	3,104	0	3,104
Total recurring fair value measurements, assets	$ 25,883	$ 495,871	$ 2,329	$ 524,083
Recurring fair value measurements, liabilities,				

Interest rate swap agreements, liabilities	$ 0	$ 3,104	$ 0	$ 3,104
Nonrecurring fair value measurements, assets:				
Impaired loans, net	$ 0	$ 0	$ 5,800	$ 5,800
Foreclosed assets held for sale	0	0	684	684
Total nonrecurring fair value measurements, assets	$ 0	$ 0	$ 6,484	$ 6,484

	December 31, 2022			
(In Thousands)	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**	**Total Fair Value**
Recurring fair value measurements, assets:				
AVAILABLE-FOR-SALE DEBT SECURITIES:				
Obligations of the U.S. Treasury	$ 31,836	$ 0	$ 0	$ 31,836
Obligations of U.S. Government agencies	0	23,430	0	23,430
Bank holding company debt securities	0	25,386	0	25,386
Obligations of states and political subdivisions:				
Tax-exempt	0	132,623	0	132,623
Taxable	0	56,812	0	56,812
Mortgage-backed securities issued or guaranteed by U.S. Government agencies or sponsored agencies:				
Residential pass-through securities	0	99,941	0	99,941
Residential collateralized mortgage obligations	0	40,296	0	40,296
Commercial mortgage-backed securities	0	79,686	0	79,686
Private label commercial mortgage-backed securities	0	8,023	0	8,023
Total available-for-sale debt securities	31,836	466,197	0	498,033
Marketable equity security	859	0	0	859
Servicing rights	0	0	2,653	2,653
Interest rate swap agreements, assets	0	3,638	0	3,638
Total recurring fair value measurements, assets	$ 32,695	$ 469,835	$ 2,653	$ 505,183
Recurring fair value measurements, liabilities,				
RPA In	$ 0	$ 19	$ 0	$ 19
Interest rate swap agreements, liabilities	0	3,638	0	3,638
Total recurring fair value measurements, liabilities	$ 0	$ 3,657	$ 0	$ 3,657
Nonrecurring fair value measurements, assets:				
Impaired loans, net	$ 0	$ 0	$ 3,007	$ 3,007
Foreclosed assets held for sale	0	0	275	275
Total nonrecurring fair value measurements, assets	$ 0	$ 0	$ 3,282	$ 3,282

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Management's evaluation and selection of valuation techniques and the unobservable inputs used in determining the fair values of assets valued using Level 3 methodologies include sensitive assumptions. Other market participants might use substantially different assumptions, which could result in calculations of fair values that would be substantially different than the amount calculated by management. The following table shows quantitative information regarding significant techniques and inputs used at December 31, 2022 December 31, 2023 and 2021 2022 for servicing rights assets measured using unobservable inputs (Level 3 methodologies) on a recurring basis:

Asset	Fair Value at 12/31/2022 (In Thousands)	Valuation Technique	Unobservable Input(s)		Method or Value As of 12/31/2022	Fair Value at 12/31/2023 (In Thousands)	Valuation Technique	Unobservable Input(s)		Meth
Servicing rights	$ 2,653	Discounted cash flow	Discount rate	13.00 %	Rate used through modeling period	$ 2,659	Discounted cash flow	Discount rate	13.00 %	Rate mode
			Loan prepayment speeds	133.00 %	Weighted-average PSA			Loan prepayment speeds	131.00 %	Weig
			Servicing fees	0.25 %	of loan balances			Servicing fees	0.25 %	of loa
				4.00 %	of payments are late				4.00 %	of pay
				5.00 %	late fees assessed				5.00 %	late fe
				$ 1.94	Miscellaneous fees per account per month				$ 1.94	Misce accou
			Servicing costs	$ 6.00	Monthly servicing cost per account			Servicing costs	$ 6.00	Montl per a
				$ 24.00	Additional monthly servicing cost per loan on loans more than 30 days delinquent				$ 24.00	Additi servic on lo days
				1.50 %	of loans more than 30 days delinquent				1.50 %	of loa days
				3.00 %	annual increase in servicing costs				3.00 %	annua servic

Asset	Fair Value at 12/31/2021 (In Thousands)	Valuation Technique	Unobservable Input(s)		Method or Value As of 12/31/2021	Fair Value at 12/31/2022 (In Thousands)	Valuation Technique	Unobservable Input(s)		Meth
Servicing rights	$ 2,329	Discounted cash flow	Discount rate	13.00 %	Rate used through modeling period	$ 2,653	Discounted cash flow	Discount rate	13.00 %	Rate mode
			Loan prepayment speeds	209.00 %	Weighted-average PSA			Loan prepayment speeds	133.00 %	Weig
			Servicing fees	0.25 %	of loan balances			Servicing fees	0.25 %	of loa
				4.00 %	of payments are late				4.00 %	of pay
				5.00 %	late fees assessed				5.00 %	late fe
				$ 1.94	Miscellaneous fees per account per month				$ 1.94	Misce accou
			Servicing costs	$ 6.00	Monthly servicing cost per account			Servicing costs	$ 6.00	Montl per a
				$ 24.00	Additional monthly servicing cost per loan on loans more than 30 days delinquent				$ 24.00	Additi servic on lo days
				1.50 %	of loans more than 30 days delinquent				1.50 %	of loa days
				3.00 %	annual increase in servicing costs				3.00 %	annua servic

The fair value of servicing rights is affected by expected future interest rates. Increases (decreases) in future expected interest rates tend to increase (decrease) the fair value of the Corporation's servicing rights because of changes in expected prepayment behavior by the borrowers on the underlying loans.

Following is a reconciliation of activity for Level 3 assets (servicing rights) measured at fair value on a recurring basis:

(In Thousands)	Years Ended December 31,			Years Ended December 31,		
	2022	2021	2020	2023	2022	2021
Servicing rights balance, beginning of period	$ 2,329	$ 1,689	$ 1,277	$2,653	$2,329	$1,689
Originations of servicing rights	198	708	988	206	198	708
Unrealized gain (loss) included in earnings	126	(68)	(576)			
Unrealized (loss) gain included in earnings				(200)	126	(68)
Servicing rights balance, end of period	$ 2,653	$ 2,329	$ 1,689	$2,659	$2,653	$2,329

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Loans are classified individually evaluated for credit loss when they do not share similar risk characteristics as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the similar loans within its loan agreement. pool. Foreclosed assets held for sale consist of real estate acquired by foreclosure. For impaired commercial individually evaluated loans secured by real estate and foreclosed assets held for sale, estimated fair values are determined primarily using values from third-party appraisals. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

At December 31, 2022 December 31, 2023 and 2021, 2022, quantitative information regarding significant techniques and inputs used for nonrecurring fair value measurements using unobservable inputs (Level 3 methodologies) are as follows:

(Dollars In Thousands) Asset	Balance at 12/31/2022	Valuation Allowance at 12/31/2022	Fair Value at 12/31/2022	Valuation Technique	Unobservable Inputs	Weighted Average Discount at 12/31/2022	Balance at 12/31/2023	Valuation Allowance at 12/31/2023	Fair Value at 12/31/2023	
Impaired loans:										
Commercial:										
Commercial loans secured by real estate	$ 3,400	$ 427	$ 2,973	Sales comparison	Discount to appraised value	25 %				
Commercial and industrial	60	26	34	Liquidation of assets	Discount to appraised value	33 %				
Total impaired loans	$ 3,460	$ 453	$ 3,007							
Loans individually evaluated for credit loss:										
Commercial real estate - nonowner occupied							$ 7,301	$ 648	$ 6,653	Sa
										Sa
Commercial real estate - owner occupied							294	5	289	&
										Li
All other commercial loans							191	90	101	Sl
Total loans individually evaluated for credit loss							$ 7,786	$ 743	$ 7,043	
Foreclosed assets held for sale - real estate:										
Residential (1-4 family)							$ 47	$ 0	$ 47	Sa
Commercial real estate	$ 275	$ 0	$ 275	Sales comparison	Discount to appraised value	50 %	431	0	431	Sa
Total foreclosed assets held for sale	$ 275	$ 0	$ 275				$ 478	$ 0	$ 478	

(Dollars In Thousands) Asset	Balance at 12/31/2021	Valuation Allowance at 12/31/2021	Fair Value at 12/31/2021	Valuation Technique	Unobservable Inputs	Weighted Average Discount at 12/31/2021	Balance at 12/31/2022	Valuation Allowance at 12/31/2022	Fair Value at 12/31/2022	Valuation Technique	Unobse Inpu
Impaired loans:											
Commercial:											
Commercial loans secured by real estate	$ 6,468	$ 668	$ 5,800	Sales comparison	Discount to appraised value	27 %	$ 3,400	$ 427	$ 2,973	Sales comparison	Discount to ap
Commercial and industrial	72	72	0	Liquidation of assets	Discount to appraised value	100 %	60	26	34	Liquidation of assets	Discount to ap
Total impaired loans	$ 6,540	$ 740	$ 5,800				$ 3,460	$ 453	$ 3,007		
Foreclosed assets held for sale - real estate:											
Commercial real estate	$ 428	$ 0	$ 428	Sales comparison	Discount to appraised value	50 %	$ 275	$ 0	$ 275	Sales comparison	Discount to ap
Residential (1-4 family)	256	0	256	Sales comparison	Discount to appraised value	53 %					
Total foreclosed assets held for sale	$ 684	$ 0	$ 684				$ 275	$ 0	$ 275		

Certain of the Corporation's financial instruments are not measured at fair value in the consolidated financial statements. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Certain financial instruments and all nonfinancial instruments are excluded from disclosure requirements. Therefore, the aggregate fair value amounts presented may not represent the underlying fair value of the Corporation.

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The estimated fair values, and related carrying amounts, of the Corporation's financial instruments that are not recorded at fair value are as follows:

(In Thousands)	Fair Value Hierarchy Level	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value	December 31, 2021 Carrying Amount	December 31, 2021 Fair Value	Fair Value Hierarchy Level	December 31, 2023 Carrying Amount	December 31, 2023 Fair Value	December 31, 2022 Carrying Amount	December 31, 2022 Fair Value
Financial assets:										
Cash and cash equivalents	Level 1	$ 47,698	$ 47,698	$ 95,848	$ 95,848	Level 1	$ 52,778	$ 52,778	$ 47,698	$ 47,698
Certificates of deposit	Level 2	7,350	6,956	9,100	9,142	Level 2	4,100	3,859	7,350	6,956

Restricted equity securities (included in other assets)	Level 2	14,418	14,418	9,562	9,562	Level 2	21,716	21,716	14,418	14,418
Loans, net	Level 3	1,723,425	1,674,002	1,551,312	1,573,955	Level 3	1,828,931	1,750,336	1,723,425	1,674,002
Accrued interest receivable	Level 2	8,653	8,653	7,235	7,235	Level 2	9,140	9,140	8,653	8,653
Financial liabilities:										
Deposits with no stated maturity	Level 2	1,702,404	1,702,404	1,639,167	1,639,167	Level 2	1,590,357	1,590,357	1,702,404	1,702,404
Time deposits	Level 2	295,189	293,814	285,893	286,962	Level 2	424,449	423,643	295,189	293,814
Short-term borrowings	Level 2	80,062	80,062	1,803	1,603	Level 2	33,874	33,874	80,062	80,062
Long-term borrowings	Level 2	62,347	60,944	28,042	28,347	Level 2	138,337	137,775	62,347	60,944
Senior debt	Level 2	14,765	9,712	14,701	15,016	Level 2	14,831	12,706	14,765	9,712
Subordinated debt	Level 2	24,607	16,186	33,009	33,171	Level 2	24,717	22,750	24,607	16,186
Accrued interest payable	Level 2	461	461	205	205	Level 2	1,525	1,525	461	461

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Report of Independent Registered Registered Public Accounting Firm

Stockholders and Board of Directors of
Citizens & Northern Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Citizens & Northern Corporation and subsidiaries (collectively the (the "Corporation") as of December 31, 2022 December 31, 2023 and 2021, 2022, and the related consolidated statements of income, comprehensive income (loss) income, , changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Corporation's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control – Integrated Framework: Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (COSO).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control – Integrated Framework: Framework (2013) issued by COSO.

Change in Accounting Principle

As described in Notes 1 and 2 to the consolidated financial statements, the Corporation has changed its method of accounting for the recognition and measurement of the allowance for credit losses effective January 1, 2023 due to the adoption of ASC 326, Financial Instruments – Credit Losses.

Basis for Opinions

The Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's consolidated financial statements and an opinion on the Corporation's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) ("PCAOB") and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the

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maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable

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assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Credit Losses – Qualitative Factors

Critical Audit Matter Description

As described disclosed in Note 1 and Note 8 7 to the Corporation's consolidated financial statements, the allowance for loan credit losses as calculated under the current expected credit loss (CECL) methodology consists of two major primary components: (1) a specific component consisting of the valuation an allowance for loans individually evaluated for impairment ("specific component") and (2) a general component consisting of the valuation allowance for pools of established on loans with similar risk characteristics collectively evaluated for impairment ("general reserves"). The general reserves credit losses (collective basis), and (2) an allowance established on loans which do not share similar risk characteristics with any loan segment and which are further broken down as reserves assigned to each pool of loans based on both historical net charge-off experience and reserves related to qualitative factors. individually evaluated for credit losses (individually evaluated).

The determination allowance for loans evaluated on a collective basis is comprised of the following components: (1) an allowance determined by the weighted-average remaining maturity method (WARM), (2) qualitative factors and (3) an economic forecast calculated using third party economic data. The allowance determined by the WARM method represents a calculated average annual net loss rate applied over the remaining life of the loans. The qualitative factors are applied to each loan pool evaluated on a collective basis and represent management's adjustments for changes not reflected in historical loss rates or other quantitative components. Qualitative factors can include adjustments related to 1) the nature and volume of portfolio changes, including loan losses growth, 2) concentrations of credit based on loan type or industry, 3) the volume and severity of past due, nonaccrual or adversely classified loans, 4) trends in real estate or collateral values, 5) lending policies and procedures, 6) credit review function, 7) lending, credit and other relevant management experience and risk tolerance and 8) external factors and economic conditions not already captured. The qualitative factor component requires significant estimates and subjective assumptions which require a high degree of judgment relating to how those assumptions impact probable incurred the estimated credit losses within for the remaining average life of the loan portfolio. Changes in these assumptions could have a material effect on the Corporation's financial results. Qualitative risk factors are evaluated for the impact on each of the three distinct loan segments (residential mortgage, commercial and consumer) within the loan portfolio. Each qualitative factor is assigned a value to reflect improving, stable or declining conditions based on management's judgment using relevant information available at the time of the evaluation. Management has designed qualitative factors that include such factors as 1) economic conditions within its market area, 2) the Corporation's lending policies, 3) changes or trends in the portfolio, 4) risk profile, 5) competition, and 6) regulatory requirements. To formulate the additional allocations to the allowance for loan losses for general reserve qualitative factors, management multiplies the outstanding principal balance of the various loan classes by the applicable qualitative factor.

Management's identification and analysis of these issues requires significant judgment. We identified auditing the estimate of the general reserve's qualitative factors factor component of the allowance for loan credit losses on loans evaluated on a collective basis as a critical audit matter as auditing the underlying qualitative factors requires significant auditor judgment as amounts determined by management rely on analysis that is highly subjective and includes significant estimation uncertainty. involve a high degree of subjectivity.

How We Addressed the Matter in Our Audit

The primary procedures we performed to address this critical audit matter included, among others:

- Obtaining an understanding, evaluating the design, and testing the operating effectiveness of the management review control over the determination, review and approval of the qualitative factors, including Corporation's internal controls over the underlying internal allowance for credit losses process, including controls addressing:

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- Management's review of qualitative factors
- Review of the relevance and external reliability of data inputs, used to determine the estimates
- Information technology general controls and applications

- Substantively testing such control management's process including evaluating their judgments and assumptions for design and operating effectiveness. developing the allowance for credit losses on loans on a collective basis. This included:

  - Evaluating the appropriateness of the Corporation's methodology and accounting policies involved in the application of its CECL methodology
  - Evaluating the reasonableness of management's judgments related to qualitative factor adjustments to determine if they are calculated in accordance with management's policies and consistently applied. applied

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  - Evaluating Testing the completeness, accuracy, relevance and reliability of the underlying internal and external data inputs used as a basis for to estimate the qualitative factors
  - Testing the mathematical accuracy of the calculation, including the qualitative factor adjustments and corroborating these inputs by comparing to the Corporation's lending practices, historical loan portfolio performance, and third-party macroeconomic data, as well as considering current economic factors.

- Analytically evaluate changes that occurred in the allowance for loan losses. component

/s/ Baker Tilly US, LLP

We have served as the Corporation's auditor since 1979.

Pittsburgh, Pennsylvania
March 16, 2023 11, 2024

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management, under the supervision of and with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has carried out an evaluation of the design and effectiveness of the Corporation's disclosure controls and procedures as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Corporation's disclosure controls and procedures are effective to ensure that all material information required to be disclosed in reports the Corporation files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's management is responsible for establishing and maintaining effective internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Corporation's system of internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Corporation's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Corporation's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of the Corporation's management and directors; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

There were no changes in the Corporation's internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended December 31, 2022 December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* (2013). Based on that assessment, we concluded that, as of December 31, 2022 December 31, 2023, the Corporation's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework* (2013).

Baker Tilly US, LLP, the independent registered public accounting firm that audited the Corporation's consolidated financial statements, has issued an audit report on the Corporation's internal control over financial reporting as of December 31, 2022 December 31, 2023. That report appears immediately prior to this report.

March 16, 2023 11, 2024	By: /s/ J. Bradley Scovill
Date	President and Chief Executive Officer
March 16, 2023 11, 2024	By: /s/ Mark A. Hughes
Date	Treasurer and Chief Financial Officer

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ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer of the Corporation adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(a) of Regulation S-K.

There was no information the Corporation was required to disclose in a report on Form 8-K during the fourth quarter 2022 2023 that was not disclosed.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning Directors and Executive Officers is incorporated herein by reference to disclosure under the captions “Proposal 1 – Election of Directors,” “Executive Officers,” “Information Concerning Security Ownership” and “Meetings and Committees of the Board of Directors” of the Corporation’s proxy statement dated March 10, 2023 March 15, 2024 for the annual meeting of stockholders to be held on April 20, 2023 April 25, 2024.

The Corporation’s Board of Directors has adopted a Code of Ethics, available on the Corporation’s web site at www.cnbankpa.com for the Corporation’s employees, officers and directors. (The provisions of the Code of Ethics are also included in the Corporation’s employee handbook.)

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference to disclosure under the captions “Compensation Discussion and Analysis” and “Executive Compensation Tables” of the Corporation’s proxy statement dated March 10, 2023 March 15, 2024 for the annual meeting of stockholders to be held on April 20, 2023 April 25, 2024.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference to disclosure under the caption “Beneficial Ownership of Executive Officers and Directors” of the Corporation’s proxy statement dated March 10, 2023 March 15, 2024 for the annual meeting of stockholders to be held on April 20, 2023 April 25, 2024.

“Equity Compensation Plan Information” as required by Item 201(d) of Regulation S-K is incorporated by reference herein from Item 5 (Market for Registrant’s Common Equity and Related Stockholder Matters) of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning loans and deposit balances with Directors and Executive Officers is provided in Note 15 to the Consolidated Financial Statements, which is included in Part II, Item 8 of this Annual Report on Form 10-K. Additional information, including information concerning director independence, is incorporated herein by reference to disclosure appearing under the captions “Director Independence” and “Related Person Transaction Transactions and Policies” of the Corporation’s proxy statement dated March 10, 2023 March 15, 2024 for the annual meeting of stockholders to be held on April 20, 2023 April 25, 2024.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning services provided by the Corporation’s independent auditor Baker Tilly US, LLP, the audit committee’s pre-approval policies and procedures for such services, and fees paid by the Corporation to that firm, is incorporated herein by reference to disclosure under the caption “Fees of Independent Public Accountants” of the Corporation’s proxy statement dated March 10, 2023 March 15, 2024 for the annual meeting of stockholders to be held on April 20, 2023 April 25, 2024.

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PART IV

ITEM 15. EXHIBITS EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1). The following consolidated financial statements are set forth in Part II, Item 8:

(a) (2) Financial statement schedules are not applicable or included in the financial statements or related notes.

2. Plan of acquisition, reorganization, arrangement, liquidation or succession: succession	
2.1 Agreement and Plan of Merger dated December 18, 2019, between the Corporation and Covenant Financial, Inc.	Incorporated by reference to Exhibit 2.1 of the Corporation's Form 8-K filed December 18, 2019 Not applicable
3.1 Articles of Incorporation	Incorporated by reference to Exhibit 3.1 of the Corporation's Form 10-Q filed May 6, 2022
3.2 By-laws	Incorporated by reference to Exhibit 3.1 of the Corporation's Form 8-K filed February 18, 2022
4. Instruments defining the rights of securities holders, including Indentures Indentures:	
4.1 Indenture, dated May 19, 2021 between Citizens & Northern Corporation and UMB Bank, National Association, as trustee	Incorporated by reference to Exhibit 4.1 of the Corporation's Form 8-K filed May 19, 2021
4.2 Form of Subordinated Note	Incorporated by reference to Exhibit A-2 to Exhibit 4.1 of the Corporation's Form 8-K filed May 19, 2021
4.3 Form of Senior Note	Incorporated by reference to Exhibit 4.3 of the Corporation's Form 8-K filed May 19, 2021
4.4 Description of registrant's securities	Incorporated by reference to Exhibit 4.(vi) of the Corporation's Form 10-K filed February 20, 2020
9. Voting trust agreement	Not applicable
10. Material contracts:	
10.1 Form of Time-Based Restricted Stock agreement dated January 31, 2023 between the Corporation and	Filed herewith

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Executive Officers pursuant to the Citizens & Northern Corporation Stock Incentive Plan	
10.2 Form of Performance-Based Restricted Stock Agreement dated January 31, 2023 January 31, 2024 between the Corporation and Executive Officers pursuant to the Citizens & Northern Corporation Stock 2023 Equity Incentive Plan	Filed herewith

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10.2 Form of Performance-Based Restricted Stock Agreement dated February 20, 2024 between the Corporation and Executive Officers pursuant to the Citizens & Northern Corporation 2023 Equity Incentive Plan	Filed herewith
10.3 Form of Restricted Stock agreement dated January 31, 2023 January 31, 2024 between the Corporation and its independent directors pursuant to the Citizens & Northern Corporation Independent Directors Stock 2023 Equity Incentive Plan	Filed herewith
10.4 2023 2024 Annual Performance Incentive Award Plan	Filed herewith
10.5 2023 2024 Annual Performance Incentive Award Plan - Mortgage Lenders	Filed herewith
10.6 First Amendment to Deferred Compensation Agreement dated June 17, 2021	Incorporated by reference to Exhibit 10.9 filed with Corporation's Form 10-K on February 22, 2022
10.7 Deferred Compensation Agreement dated December 17, 2015	Incorporated by reference to Exhibit 10.8 filed with Corporation's Form 10-K on February 15, 2018
10.8 Second Amendment to Employment Agreement dated August 24, 2018 between the Corporation and J. Bradley Scovill	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 8-K on August 24, 2018
10.9 First Amendment to Employment Agreement dated June 26, 2017 between the Corporation and J. Bradley Scovill	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 8-K on June 27, 2017
10.10 Employment agreement dated March 2, 2015 between the Corporation and J. Bradley Scovill	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 8-K on February 9, 2015
10.11 Employment agreement dated September 19, 2013 between the Corporation and Mark A. Hughes	Incorporated by reference to Exhibit 10.2 filed with Corporation's Form 8-K on September 19, 2013
10.12 Employment agreement dated September 19, 2013 between the Corporation and Harold F. Hoose, III	Incorporated by reference to Exhibit 10.3 filed with Corporation's Form 8-K on September 19, 2013
10.13 Employment agreement dated December 18, 2019 between the Corporation and Blair T. Rush	Incorporated by reference to Exhibit 10.15 filed with Corporation's Form 10-K on March 5, 2021
10.14 Employment agreement dated April 6, 2021 between the Corporation and Alexander Balagour	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 10-Q on August 6, 2021
10.15 Employment agreement dated February 1, 2023 between the Corporation and Kelley A. Cwiklinski	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 10-Q on May 5, 2023
10.15 10.16 Form of Indemnification Agreement dated September 20, 2018 between the Corporation and J. Bradley Scovill	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 10-Q on November 1, 2018

10.16 10.17 Form of Indemnification Agreement dated January 9, 2018 between the Corporation and Tracy E. Watkins	Incorporated by reference to Exhibit 10.6 filed with Corporation's Form 10-K on February 15, 2018
10.17 10.18 Form of Indemnification Agreement dated February 11, 2015 between the Corporation and Stan R. Dunsmore	Incorporated by reference to Exhibit 10.9 filed with Corporation's Form 10-K on February 26, 2015
10.18 10.19 Form of Indemnification Agreement dated January 19, 2011 between the Corporation and John M. Reber	Incorporated by reference to Exhibit 10.8 filed with Corporation's Form 10-K on March 1, 2011
10.19 10.20 Form of Indemnification Agreements dated May 2004 between the Corporation and the Directors and certain officers	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 10-K on March 14, 2005
10.20 10.21 Form of Indemnification Agreement dated February 16, 2021 between the Corporation and Blair T. Rush	Incorporated by reference to Exhibit 10.23 filed with Corporation's Form 10-K on March 5, 2021

10.21 10.22 Change in Control Agreement dated January 9, 2018 between the Corporation and Tracy E. Watkins	Incorporated by reference to Exhibit 10.7 filed with Corporation's Form 10-K on February 15, 2018
10.22 10.23 Change in Control Agreement dated March 17, 2015 between the Corporation and Stan R. Dunsmore	Incorporated by reference to Exhibit 10.1 filed with Corporation's Form 10-Q on May 8, 2015
10.23 10.24 Change in Control Agreement dated January 20, 2005 between the Corporation and John M. Reber	Incorporated by reference to Exhibit 10.18 filed with Corporation's Form 10-K on February 18, 2016
10.24 10.25 Change in Control Agreement dated December 31, 2003 between the Corporation and Thomas L. Rudy, Jr.	Incorporated by reference to Exhibit 10.2 filed with the Corporation's Form 10-K on March 14, 2005
10.25 Executive Compensation Recoupment Policy dated September 19, 2013	Incorporated by reference to Exhibit 10.5 filed with Corporation's Form 8-K on September 19, 2013
10.26 Fifth Amendment to Citizens & Northern Corporation Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 filed with Form 8-K on December 21, 2018
10.27 Fourth Amendment to Citizens & Northern Corporation Stock Incentive Plan and Annual Incentive Plan	Incorporated by reference to Exhibit 10.6 filed with Corporation's Form 8-K on September 19, 2013
10.28 Third Amendment to Citizens & Northern Corporation Stock Incentive Plan	Incorporated by reference to Exhibit A to the Corporation's proxy statement dated March 18, 2008 for the annual meeting of stockholders held on April 15, 2008
10.29 Second Amendment to Citizens & Northern Corporation Stock Incentive Plan	Incorporated by reference to Exhibit 10.5 filed with the Corporation's Form 10-K on March 10, 2004
10.30 First Amendment to Citizens & Northern Corporation Stock Incentive Plan	Incorporated by reference to Exhibit 10.6 filed with the Corporation's Form 10-K on March 10, 2004

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10.31 Citizens & Northern Corporation Stock Incentive Plan	Incorporated by reference to Exhibit 10.7 filed with the Corporation's Form 10-K on March 10, 2004

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10.32 Second Amendment to Citizens & Northern Independent Directors Stock Incentive Plan	Incorporated by reference to Exhibit 10.2 filed with Form 8-K on December 21, 2018
10.33 First Amendment to Citizens & Northern Corporation Independent Directors Stock Incentive Plan	Incorporated by reference to Exhibit B to the Corporation's proxy statement dated March 18, 2008 for the annual meeting of stockholders held on April 15, 2008
10.34 Citizens & Northern Corporation Independent Directors Stock Incentive Plan	Incorporated by reference to Exhibit A to the Corporation's proxy statement dated March 19, 2001 for the annual meeting of stockholders held on April 17, 2001.
10.35 Citizens & Northern Corporation 2023 Equity Incentive Plan	Incorporated by reference to Exhibit A to the Corporation's proxy statement dated March 10, 2023 for the annual meeting of stockholders held on April 20, 2023
10.36 Citizens & Northern Corporation Supplemental Executive Retirement Plan (as amended and restated)	Incorporated by reference to Exhibit 10.21 filed with the Corporation's Form 10-K on March 6, 2009

10.36 10.37 Form of Indemnification Agreements dated May 24, 2018 between the Corporation and Directors Bobbi J. Kilmer, Terry L. Lehman, Frank G. Pellegrino and Aaron K. Singer	Incorporated by reference to Exhibit 10.1 filed with the Corporation's Form 10-Q filed August 6, 2018
10.37 10.38 Form of Indemnification Agreement dated July 16, 2020 between the Corporation and Stephen M. Dorwart	Incorporated by reference to Exhibit 10.4 filed with the Corporation's Form 10-Q on August 6, 2020
10.38 10.39 Form of Indemnification Agreement dated July 16, 2020 between the Corporation and Robert G. Loughery	Incorporated by reference to Exhibit 10.5 filed with the Corporation's Form 10-Q on August 6, 2020
10.39 10.40 Form of Indemnification Agreement dated April 27, 2021 between the Corporation and Helen S. Santiago	Incorporated by reference to Exhibit 10.2 filed with the Corporation's Form 10-Q on August 6, 2021
10.40 10.41 Form of Indemnification Agreement dated July 12, 2021 between the Corporation and Kate Shattuck	Incorporated by reference to Exhibit 10.1 filed with the Corporation's Form 10-Q on November 8, 2021
11. Statement re: computation of per share earnings	Information concerning the computation of earnings per share is provided in Note 4 3 to the Consolidated Financial Statements, which is included in Part II, Item 8 of Form 10-K
12. Statements re: computation of ratios	Not applicable
13. Annual report to security holders, Form 10-Q or quarterly report to security holders	Not applicable
14. Code of ethics	The Code of Ethics is available through the Corporation's website at www.cnbankpa.com. To access the Code of Ethics, click on "About," "Investor Relations," "Corporate Governance Policies," and "Code of Ethics."
16. Letter re: change in certifying accountant	Not applicable

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16. Letter re: change in certifying accountant	Not applicable
18. Letter re: change in accounting principles	Not applicable
21. Subsidiaries of the registrant	Filed herewith
22. Published report regarding matters submitted to vote of security holders	Not applicable
23. Consent of Independent Registered Public Accounting Firm	Filed herewith
24. Power of attorney	Not applicable
31. Rule 13a-14(a)/15d-14(a) certifications:	
31.1 Certification of Chief Executive Officer	Filed herewith
31.2 Certification of Chief Financial Officer	Filed herewith
32. Section 1350 certifications	Filed herewith
33. Report on assessment of compliance with servicing criteria for asset-backed securities	Not applicable
34. Attestation report on assessment of compliance with servicing criteria for asset-backed securities	Not applicable
35. Service compliance statement	Not applicable
97 Executive Compensation Recoupment Policy	Incorporated by reference to Exhibit 10.5 filed with Corporation's Form 8-K on September 19, 2013
99. Additional exhibits:	

99.1 Additional information mailed or made available online to shareholders with proxy statement and Form 10-K on March 16, 2023 March 11, 2024	Filed herewith
101.INS Inline XBRL Instance Document.	Filed herewith
101.SCH Inline XBRL Schema Document.	Filed herewith
101.CAL Inline XBRL Calculation Linkbase Document.	Filed herewith
101.DEF Inline XBRL Definition Linkbase Document.	Filed herewith
101.LAB Inline XBRL Label Linkbase Document.	Filed herewith
101.PRE Inline XBRL Presentation Linkbase Document.	Filed herewith
104. Cover Page Interactive Data File (Formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

By: /s/ J. Bradley Scovill
President and Chief Executive Officer

Date: March 16, 2023 March 11, 2024

By: /s/ Mark A. Hughes
Treasurer and Principal Accounting Officer

Date: March 16, 2023 March 11, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BOARD OF DIRECTORS

/s/	Stephen M. Dorwart Stephen M. Dorwart Date: March 16, 2023 March 11, 2024	/s/	Frank G. Pellegrino Frank G. Pellegrino Date: March 16, 2023 March 11, 2024
/s/	Robert G. Loughery Robert G. Loughery Date: March 16, 2023 March 11, 2024	/s/	Helen S. Santiago Helen S. Santiago Date: March 16, 2023 March 11, 2024

/s/ Susan E. Hartley

Susan E. Hartley

Date: March 16, 2023 March 11, 2024

/s/ Bobbi J. Kilmer

Bobbi J. Kilmer

Date: March 16, 2023 March 11, 2024

/s/ Leo F. Lambert

Leo F. Lambert

Date: March 16, 2023 March 11, 2024

/s/ Terry L. Lehman

Terry L. Lehman

Date: March 16, 2023 March 11, 2024

/s/ Timothy E. Schoener J. Bradley Scovill

Timothy E. Schoener J. Bradley Scovill

Date: March 16, 2023 March 11, 2024

/s/ J. Bradley Scovill Kate Shattuck

J. Bradley Scovill Kate Shattuck

Date: March 16, 2023 March 11, 2024

/s/ Kate Shattuck Aaron K. Singer

Kate Shattuck Aaron K. Singer

Date: March 16, 2023 March 11, 2024

/s/ Aaron K. Singer

Aaron K. Singer

Date: March 16, 2023

EXHIBIT 10.1

Graphic

CITIZENS & NORTHERN CORPORATION
1995 STOCK 2023 EQUITY INCENTIVE PLAN (As Amended)

TIME-BASED RESTRICTED STOCK AGREEMENT - EMPLOYEES

RESTRICTED STOCK AGREEMENT dated as of the 31st day of January 2023, 2024, by and between Citizens & Northern Corporation (the "Corporation") and ______________________________an employee of the Corporation or of a subsidiary (the "Recipient").

Pursuant to the Citizens & Northern Corporation 1995 Stock 2023 Equity Incentive Plan (the "Plan"), as amended, the Compensation Committee of the Board of Directors (the "Committee") has determined that the Recipient is to be granted, on the terms and conditions set forth herein, _________Restricted Shares of the Corporation's common stock ("Stock") and hereby grants such Restricted Shares.

1. **Number of Shares and Price.** Restricted Stock shall consist of shares of Stock that will be acquired by and issued to the Recipient at a designated time approved by the board of directors, Committee, for no purchase price, and under and subject to such transfer, forfeiture and other restrictions, conditions or terms as shall be determined by the Committee, including but not limited to prohibitions against transfer and substantial risks of forfeiture within the meaning of Section 83 of the Code. Internal Revenue Code of 1986 as amended ("Code").

2. **Rights of Recipient.** Except as otherwise provided in the Plan or the Restricted Stock Agreement, a the Recipient of shares of Restricted Stock shall have all of the rights as does of a holder of Stock, shareholder, including without limitation the right to vote such shares the Restricted Stock and the right to receive dividends thereon *provided*, *however*, that dividends payable with respect thereto; however, to Restricted Stock Awards (whether paid in cash or shares of Stock) shall be subject to the same vesting conditions applicable to the Restricted Stock and shall, if vested, be delivered or paid at the same time as the restrictions on the Restricted Stock to which they relate lapse. Also, during the time period of any restrictions, conditions or terms applicable to such Restricted Stock, the shares thereof and the right to vote the same and receive dividends thereon shall not be sold, assigned,

transferred, exchanged, pledged, hypothecated, encumbered or otherwise disposed of except as permitted by the Plan or the Restricted Stock Agreement. Cash dividends shall be paid out and shall not participate in Dividend Reinvestment. Stock dividends resulting in whole shares shall be added to the shares held in the Restricted Account and shall be distributed to the Recipient with subsequent distributions of any Award for which they accrued. Partial shares that result from any stock dividend shall be paid to the Recipient in cash at the time of the payment of the stock dividend. If the Restricted Shares expire prior to the satisfaction of performance standards set forth in section 4 or due to forfeiture as set forth in section 5, all shares accrued by virtue of stock dividends shall be forfeited.

3. **Holding of Restricted Shares.** Each certificate for shares of Restricted Stock shall be deposited with the Secretary of the Corporation, or the office thereof, and shall bear a legend in substantially the following form and content:

This Certificate and the shares of Stock hereby represented are subject to the provisions of the Corporation's Stock 2023 Equity Incentive Plan and a certain agreement entered into between the owner and the Corporation pursuant to said Plan. The release of the Certificate and the shares of Stock hereby represented from such provision shall occur only as provided by said Plan and Agreement, a copy of which are on file in the office of the Secretary of the Corporation.

Upon the lapse or satisfaction of the restrictions, conditions and terms applicable to such Restricted Stock, a certificate for the shares of Stock without such legend shall be issued to the Recipient.

4. **Release and Lapse of Restricted Shares.** The release of restrictions or expiration of restricted shares awarded under this agreement shall occur over a period of three years. One-third of the total shares will be distributed on the last business day in January of each of the three years immediately following the award based on award.the Recipient's satisfactory performance of his or her job. All Restricted Shares not distributed due to the Recipient's unsatisfactory performance of his or her job shall expire and revert back to the Corporation as of the release date on which such determinations are made. No partial shares may be released, thus an amount equal to the next whole share amount will be released subject to the specified performance criteria at each anniversary. The shares released may be in certificate form or may be directed to be held in a custodial account designated by the Recipient.

5. **Terms Effect of Forfeiture. Termination of Service.** If For purposes of this Section 5, the terms "Termination of Service" and "Disability" are defined in Article 8 of the Plan. Upon Termination of Service for reason of Disability or death, all restricted shares awarded under this agreement shall vest at the date of Termination of Service. Upon a Recipient's employment with the Corporation, or a subsidiary, ceases Termination of Service for any reason prior other than due to the lapse Disability or death, any restricted shares awarded under this agreement that have not vested as of the restrictions, conditions or terms applicable to his or her date of Termination of Service shall expire and be forfeited. Notwithstanding the provisions of this Section 5, the effect of a Change in Control on the vesting of the restricted shares awarded under this agreement is set forth in Section 7.

6. **Non-Transferability of Restricted Stock.** The Restricted Stock all of the Recipient's and this Restricted Stock still subject to unexpired restrictions, conditions or terms Agreement shall **<u>not</u>**be forfeited absolutely by the Recipient to the Corporation without payment or delivery of any consideration or other thing of value by the Corporation or its affiliates, and thereupon transferable.

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and thereafter neither the Recipient nor his or her heirs, personal or legal representatives, successors, assigns, beneficiaries, or any claimants under the Recipient's Last Will or laws of descent and distribution, shall have any rights or claims to or interests in the forfeited Restricted Stock or any certificates representing shares thereof, or claims against the Corporation or its affiliates with respect thereto. Except in the case of disability, employment ceases with the Corporation, or its Subsidiary, on the day the Recipient's employment is terminated with or without cause, or on their date of death. In the event of disability, the Recipient's employment is considered terminated on the date for which the Recipient receives the final payment of the Corporation's, or Subsidiary's, short-term disability.

6. **Non-Transferability of Restricted Stock.** The Restricted Stock and this Restricted Stock Agreement shall **<u>not</u>** be transferable.

7. **Change in Control**. If any of the change a Change in control events described Control, as defined in Section 11 4.2 of the Plan occur, occurs, all shares of Restricted Stock shall become fully vest and all restrictions on the shares of Restricted Stock shall lapse as follows: In the case of an event specified in clause (a) of the second sentence of the third paragraph of Section 11, the lapse of all restrictions on the shares of Restricted Stock shall occur immediately prior to the consummation of the described transaction and, in the case of an event specified in clause (b) or (c) of said sentence, the full vesting and lapse of restrictions shall occur upon occurrence of the described event. vested immediately.

8. **Notices.** Any notice required or permitted under this Restricted Stock Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Recipient either at his or her address herein above set forth or such other address as he or she may designate reflected in writing to the Corporation. Corporation's records as the Recipient's last known address.

9. **Failure to Enforce Not a Waiver.** The failure of the Corporation to enforce at any time any provision of this Restricted Stock Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

10. **Governing Law.** This Restricted Stock Agreement shall be governed by and construed according to the laws of the State Commonwealth of Pennsylvania.

11. **Incorporation of Plan.** The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Stock and this Restricted Stock Agreement are subject to all terms and conditions of the Plan.

12. **Amendments.** This Restricted Stock Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Agreement on the day and year first above written.

By Graphic

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J. Bradley Scovill – President & CEO

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Restricted Stock Agreement and to all the terms and provisions of the Citizens & Northern Corporation 1995 Stock 2023 Equity Incentive Plan herein incorporated by reference.

Graphic

Recipient

EXHIBIT 10.2

Graphic

CITIZENS & NORTHERN CORPORATION
1995 STOCK 2023 EQUITY INCENTIVE PLAN (As Amended)

PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT

RESTRICTED STOCK AGREEMENT dated as of the 31st 20th day of January 2023, February 2024, by and between Citizens & Northern Corporation (the "Corporation") and ________ an employee of the Corporation or of a subsidiary (the "Recipient").

Pursuant to the Citizens & Northern Corporation 1995 Stock 2023 Equity Incentive Plan (the "Plan"), as amended, the Compensation Committee of the Board of Directors (the "Committee") has determined that the Recipient is to be granted, on the terms and conditions set forth herein, ________ Restricted Shares of the Corporation's common stock ("Stock") and hereby grants such Restricted Shares.

1. **Number of Shares and Price.** Restricted Stock shall consist of shares of Stock that will be acquired by and issued to the Recipient at a designated time approved by the board of directors, Committee, for no purchase price, and under and subject to such transfer, forfeiture and other restrictions, conditions or terms as shall be determined by the Committee, including but not limited to prohibitions against transfer and substantial risks of forfeiture within the meaning of Section 83 of the Code. Internal Revenue Code of 1986, as amended ("Code").

2. **Rights of Recipient.** Except as otherwise provided in the Plan or the Restricted Stock Agreement, athe Recipient of shares of Restricted Stock shall have all of the rights as does of a holder of Stock, shareholder, including without limitation the right to vote such shares the Restricted Stock and the right to receive dividends thereon *provided*, *however*, that dividends payable with respect thereto; however, to Restricted Stock Awards (whether paid in cash or shares of Stock) shall be subject to the same vesting conditions applicable to the Restricted Stock and shall, if vested, be delivered or paid at the same time as the restrictions on the Restricted Stock to which they relate lapse. Also, during the time period of any

restrictions, conditions or terms applicable to such Restricted Stock, the shares thereof and the right to vote the same and receive dividends thereon shall not be sold, assigned, transferred, exchanged, pledged, hypothecated, encumbered or otherwise disposed of except as permitted by the Plan or the Restricted Stock Agreement. Cash dividends shall be paid out and shall not participate in Dividend Reinvestment. Stock dividends resulting in whole shares shall be added to the shares held in the Restricted Account and shall be distributed to the Recipient with subsequent distributions of any Award for which they accrued. Partial shares that result from any stock dividend shall be paid to the Recipient in cash at the time of the payment of the stock dividend. If the Restricted Shares expire prior to the satisfaction of performance standards set forth in section 4 or due to forfeiture as set forth in section 5, all shares accrued by virtue of stock dividends shall be forfeited.

3. **Holding of Restricted Shares.** Each certificate for shares of Restricted Stock shall be deposited with the Secretary of the Corporation, or the office thereof, and shall bear a legend in substantially the following form and content:

3. **Holding of Restricted Shares.** Each certificate for shares of Restricted Stock shall be deposited with the Secretary of the Corporation, or the office thereof, and shall bear a legend in substantially the following form and content:

This Certificate and the shares of Stock hereby represented are subject to the provisions of the Corporation's Stock 2023 Equity Incentive Plan and a certain agreement entered into between the owner and the Corporation pursuant to said Plan. The release of the Certificate and the shares of Stock hereby represented from such provision shall occur only as provided by said Plan and Agreement, a copy of which are on file in the office of the Secretary of the Corporation.

Upon the lapse or satisfaction of the restrictions, conditions and terms applicable to such Restricted Stock, a certificate for the shares of Stock without such legend shall be issued to the Recipient.

4. **Release and Lapse of Restricted Shares.** The release of restrictions or expiration of restricted shares awarded under this agreement shall occur over a period of three years. On each anniversary date of this award, up to one-third of the total shares will be distributed based on the Corporation's attainment of earnings-based performance standards, based on the following criteria:

- Release of 50% (one-sixth of the total shares awarded) each year will be based on the Corporation achieving a percent ranking of at least 35% of the Core Return on Pre-tax, Pre-Provision Net Revenue Minus Net Charge-

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offs as a Percentage of Average Equity (ROAE) (PPNR/Average Equity) within a defined peer group of bank holding companies and thrifts for the defined measurement period as determined by the committee. Committee.
- Release of 50% (one-sixth of the total shares awarded) each year will be based on the Corporation achieving a percent ranking of at least 65% of the Core Return on Pre-tax, Pre-Provision Net Revenue Minus Net Charge-offs as a Percentage of Average Assets (ROAA) (PPNR/Average Assets) within a defined peer group of bank holding companies and thrifts for the defined measurement period as determined by the committee. Committee.

For the purpose of determining Core ROAE PPNR/Average Assets and Core ROAA. PPNR/Average Equity, the provision for credit losses will be excluded, and net charge-offs or recoveries of loans receivable and off-balance sheet exposures will be included, from the Corporation's and the peer group's earnings results. Also, for the purpose of determining PPNR/Average Assets and PPNR/Average Equity, nonrecurring items, as determined by the Committee (to include nonrecurring acquisition expenses), and securities gains and losses, will be excluded from the Corporation's and the peer group's earnings results. The Corporation's earnings will include the operating results of newly acquired business units and the Corporation's and the peer group's ROAE and ROAA will be compared on an after-tax basis. The peer group shall include selected publicly traded Commercial Banks and Thrifts within a geographic region reflective of Citizens & Northern's market area and with total assets of approximately one-half to 2 times those of Citizens & Northern.

The Committee reserves the right to change the composition of the peer group, as well as the method of evaluating the Corporation's Core ROAE and Core ROAA earnings performance as compared to the peer group, based on mergers or acquisitions involving members of the peer group, changes in size of the Corporation or members of the peer group, or other factors deemed appropriate by the Committee.

All Restricted Shares not distributed due to the Corporation failing to achieve the defined earnings-based performance standards shall expire and revert back to the Corporation as of the anniversary date on which such determinations are made. No partial shares may be released, thus an amount equal to the next whole share amount will be released subject to the specified performance criteria at each anniversary. The shares released may be in certificate form or may be directed to be held in a custodial account designated by the Recipient.

5. **Terms of Forfeiture.** If a Recipient's employment with the Corporation, or a subsidiary, ceases for any reason prior to the lapse of the restrictions, conditions or terms applicable to his or her Restricted Stock, all of the Recipient's Restricted Stock still subject to unexpired restrictions, conditions or terms shall be forfeited absolutely by the Recipient to the Corporation without payment or delivery of any consideration or other thing of value by the Corporation or its affiliates, and thereupon and thereafter neither the Recipient nor his or her heirs, personal or legal representatives, successors, assigns, beneficiaries, or any claimants under the Recipient's Last Will or laws of descent and distribution, shall have any rights or claims to or interests in the forfeited Restricted Stock or any certificates representing shares thereof, or claims against the Corporation or its affiliates with respect thereto. Except in the case of disability, employment ceases with the Corporation, or its Subsidiary, on the day the Recipient's employment is terminated with or without cause, or on their date of death. In the event of disability, the Recipient's employment is considered terminated on the date for which the Recipient receives the final payment under the Corporation's, or Subsidiary's, short-term disability program.

6. **Non-Transferability of Restricted Stock.** The Restricted Stock and this Restricted Stock Agreement shall **not** be transferable.

7. **Change in Control**. If any of the change in control events described in Section 11 of the Plan occur, all shares of Restricted Stock shall fully vest and all restrictions on the shares of Restricted Stock shall lapse as follows: In the case of an event specified in clause (a) of the second sentence of the third paragraph of Section 11, the lapse of all restrictions on the shares of Restricted Stock shall occur immediately prior to the consummation of the described transaction and, in the case of an event specified in clause (b) or (c) of said sentence, the full vesting and lapse of restrictions shall occur upon occurrence of the described event.

8. **Notices.** Any notice required or permitted under this Restricted Stock Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Recipient either at his or her address herein above set forth or such other address as he or she may designate in writing to the Corporation.

5. **Terms of Forfeiture.** If a Recipient's employment with the Corporation, or a subsidiary, ceases for any reason prior to the lapse of the restrictions, conditions or terms applicable to his or her Restricted Stock, all of the Recipient's Restricted Stock still subject to unexpired restrictions, conditions or terms shall be forfeited absolutely by the Recipient to the Corporation without payment or delivery of any consideration or other thing of value by the Corporation or its affiliates, and thereupon and thereafter neither the Recipient nor his or her heirs, personal or legal representatives, successors, assigns, beneficiaries, or any claimants under the Recipient's Last Will or laws of descent and distribution, shall have any rights or claims to or interests in the forfeited Restricted Stock or any certificates representing shares thereof, or claims against the Corporation or its affiliates with respect thereto. Except in the case of disability, employment ceases with the Corporation, or its Subsidiary, on the first to occur of the day the Recipient's employment is terminated with or without cause, or on their date of death. In the event of disability, the Recipient's employment is considered terminated on the date for which the Recipient receives the final payment under the Corporation's, or Subsidiary's, short-term disability program.

6. **Non-Transferability of Restricted Stock.** The Restricted Stock and this Restricted Stock Agreement shall **not** be transferable.

7. **Change in Control**. If a change in control as defined in Section 4.2 of the Plan occurs, all shares of Restricted Stock will vest based on the greater of the target level of performance or actual annualized performance measured as of the most recent completed fiscal quarter.

8. **Notices.** Any notice required or permitted under this Restricted Stock Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Recipient either at his or her last known address on file with the Corporation.

9. **Failure to Enforce Not a Waiver.** The failure of the Corporation to enforce at any time any provision of this Restricted Stock Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

9. **Failure to Enforce Not a Waiver.** The failure of the Corporation to enforce at any time any provision of this Restricted Stock Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

10. **Governing Law.** This Restricted Stock Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

11. **Incorporation of Plan.** The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Stock and this Restricted Stock Agreement are subject to all terms and conditions of the Plan.

10. **Governing Law.** This Restricted Stock Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

11. **Incorporation of Plan.** The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Stock and this Restricted Stock Agreement are subject to all terms and conditions of the Plan.

12. **Amendments.** This Restricted Stock Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Agreement on the day and year first above written.

Graphic

By

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J. Bradley Scovill - President & CEO

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Restricted Stock Agreement and to all the terms and provisions of the Citizens & Northern Corporation 1995 Stock 2023 Equity Incentive Plan herein incorporated by reference.

Graphic

Recipient

EXHIBIT 10.3

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CITIZENS & NORTHERN CORPORATION

Graphic 2023 EQUITY INCENTIVE PLAN

INDEPENDENT DIRECTORS STOCK INCENTIVE PLAN

TIME-BASED RESTRICTED STOCK AGREEMENT – INDEPENDENT DIRECTORS

A total RESTRICTED STOCK AGREEMENT dated as of ________ **shares** the 31st day of ***RESTRICTED*** common ***STOCK***, par value $1.00, of January 2024, by and between Citizens & Northern Corporation (the "Corporation") and____a Pennsylvania member of the Board of Directors of the Corporation or of a subsidiary (the "Recipient").

Pursuant to the Citizens & Northern Corporation 2023 Equity Incentive Plan (the "Plan"), the Compensation Committee of the Board of Directors (the "Committee") has determined that the Recipient is to be granted, on the terms and conditions set forth herein, **1,000** Restricted Shares of the Corporation's common stock ("Stock") and hereby grants such Restricted Shares.

1. **Number of Shares and Price.** Restricted Stock shall consist of shares of Stock that will be acquired by and issued to the Recipient at a designated time approved by the Committee, for no purchase price, and under and subject to such transfer, forfeiture and other restrictions, conditions or terms as shall be determined by the Committee, including but not limited to prohibitions against transfer and substantial risks of forfeiture within the meaning of Section 83 of the Internal Revenue Code of 1986 as amended ("Code").

2. **Rights of Recipient.** Except as otherwise provided in the Plan or the Restricted Stock Agreement, the Recipient shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon *provided*, *however*, that dividends payable with respect to Restricted Stock Awards (whether paid in cash or shares of Stock) shall be subject to the same vesting conditions applicable to the Restricted Stock and shall, if vested, be delivered or paid at the same time as the restrictions on the Restricted Stock to which they relate lapse. Also, during the time period of any restrictions, conditions or terms applicable to such Restricted Stock, the shares thereof and the right to vote the same and receive dividends thereon shall not be sold, assigned, transferred, exchanged, pledged, hypothecated, encumbered or otherwise disposed of except as permitted by the Plan or the Restricted Stock Agreement.

3. **Holding of Restricted Shares.** Each certificate for shares of Restricted Stock shall be deposited with the Secretary of the Corporation, or the office thereof, and shall bear a legend in substantially the following form and content:

This Certificate and the shares of Stock hereby represented are subject to the provisions of the Corporation's 2023 Equity Incentive Plan and a certain agreement entered into between the owner and the Corporation pursuant to said Plan. The release of the Certificate and the shares of Stock hereby represented from such provision shall occur only as provided by said Plan and Agreement, a copy of which are on file in the office of the Secretary of the Corporation.

Upon the lapse or satisfaction of the restrictions, conditions and terms applicable to such Restricted Stock, a certificate for the shares of Stock without such legend shall be issued to the Recipient.

4. **Release and Lapse of Restricted Shares.** The release of restrictions or expiration of restricted shares awarded under this agreement shall occur over a period of one year.All of the total shares will be distributed on the last business corporation (herein day in January 2025. The shares released may be in certificate form or may be directed to be held in a custodial account designated by the "Corporation") is hereby Recipient.

5. **Effect of Termination of Service.** For purposes of this Section 5, the terms "Termination of Service," "Disability" and "Mandatory Retirement" are defined in Article 8 of the Plan. Upon a Recipient's Termination of Service, for any reason other than due to Disability, death or Mandatory Retirement, any restricted shares awarded under this agreement that have not vested as of January 31, 2023 the date of Termination of Service shall expire and be forfeited. Upon Termination of Service for reason of Disability or death, all restricted shares awarded under this agreement shall vest at the date of Termination of Service. In the event of Termination of Service due to ___________ (herein Mandatory Retirement, any Restricted Stock Award that has not vested as of the "Director"), subject date of Termination of Service shall vest, pro rata, by multiplying the number of outstanding, unvested shares by a fraction, the numerator of which is the number of days the Recipient was in Service since the date the unvested awards were granted and the denominator of which is 365. Notwithstanding the provisions of this Section 5, the effect of a Change in Control on the vesting of the restricted shares awarded under this agreement is set forth in Section 7.

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6. **Non-Transferability of Restricted Stock.** The Restricted Stock and this Restricted Stock Agreement shall **not** be transferable.

7. **Change in Control**. If a Change in Control, as defined in Section 4.2 of the Plan occurs, all shares of Restricted Stock shall become fully vested immediately.

8. **Notices.** Any notice required or permitted under this Restricted Stock Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Recipient either at his or her address as reflected in the Corporation's records as the Recipient's last known address.

9. **Failure to Enforce Not a Waiver.** The failure of the Corporation to enforce at any time any provision of this Restricted Stock Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

10. **Governing Law.** This Restricted Stock Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

11. **Incorporation of Plan.** The Plan is hereby incorporated by reference and made a part hereof, and the Restricted Stock and this Restricted Stock Agreement are subject to all terms and conditions of the Plan.

12. **Amendments.** This Restricted Stock Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Agreement on the day and year first above written.

By Graphic

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J. Bradley Scovill – President & CEO

The undersigned hereby accepts and agrees to all respects the terms and provisions of the foregoing Restricted Stock Agreement and to all the terms and provisions of the Citizens & Northern Corporation Independent Directors Stock 2023 Equity Incentive Plan (herein the "Plan"), dated April 17, 2001 and amended April 15, 2008, April 19, 2018, and December 20, 2018, and is herein incorporated herein by reference.

CHANGE IN CONTROL

Graphic

All Awards of Restricted Stock issued under the Plan which have not fully vested (i.e., continue to have restrictions that have not lapsed) shall automatically fully vest (i.e., all restrictions shall lapse) upon a change in control event as follows: (a) If the Corporation or its stockholders execute an agreement to dispose of all or substantially all of the Corporation's assets or capital stock by means of sale, merger, consolidation, reorganization, liquidation or otherwise, as a result of which the Corporation's stockholders as of immediately before such transaction will not own at least fifty percent (50%) of the total combined voting power of all classes of voting capital stock of the surviving entity (be it the Corporation or otherwise), the full lapse of any restrictions on shares of Restricted Stock shall occur immediately prior to the consummation of such transaction; (b) if there is an actual, attempted or threatened change in the ownership of at least twenty-five percent (25%) of all classes of voting capital stock of the Corporation through the acquisition of, or an offer to acquire such percentage of the Corporation's voting capital stock by any person or entity, or persons or entities acting in concert or as a group, and such acquisition or offer has not been duly approved by the Board; or (c) if during any period of two (2) consecutive years, the individuals who at the beginning of such period constituted the Board, cease for any reason to constitute at least a majority of the Board, unless the election of each director of the Board, who was not a director of the Board at the beginning of such period, was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period, thereupon (upon the occurrence of the events described in clause (b) or (c)), the full vesting and lapse of any restrictions on shares of Restricted Stock shall occur.

Dated: February 23, 2023CITIZENS & NORTHERN CORPORATION

ATTEST: Graphic BY Graphic

Skye L. Mahosky, Corporate SecretaryJ. Bradley Scovill – President & CEO

The Director acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof. The Director hereby accepts this Award subject to all the terms and provisions of the Plan.

Dated: ______________________

Director

EXHIBIT 10.4

Graphic

2023 2024 Annual Performance Incentive Award Plan (*)

Part I: Plan Administration

Section 1: **Purpose of the Plan**

The purpose of the Performance Incentive Award Plan ("the Plan") is to provide variable compensation to those employees in key positions who attain and sustain consistently high levels of performance by meeting and exceeding goals and expectations that contribute to the success, profitability, and return to the shareholders of Citizens & Northern Corporation and affiliated Employer(s). The Plan is designed to support operational objectives and financial goals as defined by the long-range and short-range strategic and financial Plans. Additionally, the Plan is designed to provide a component of the management compensation package essential to retaining and attracting quality employees to key positions that contribute significantly to the bank's financial performance. A key position for the purpose of this plan is a job role that is typically, within the community banking and financial services industries, eligible for performance-based incentive compensation.

Section 2: General Description

There are three components of the Plan: (1) **corporate performance**; (2) **unit/functional performance**; and (3) **individual performance**. The **corporate performance component** will be subject to the Corporation's attainment of financial goals relative to a defined peer group. To receive the **corporate bonus payout,** the company must achieve at least the threshold level.

The **unit/functional component** is based on the attainment of pre-established goals by the participant and often a team of participants in a given business unit, e.g., retail branch system, commercial lending team. Depending upon the participant's function, Key Performance Indicators for the participant's region, or the corporation as a whole, also may be evaluated to determine the unit/functional bonus. To receive the **unit/functional bonus payout,** the participant must achieve at least the threshold level.

Further, the **individual performance component** will be subject to an evaluation of the participants' overall contributions to the "team". To earn the individual component, the participant must attain at least the threshold performance level.

Even after attaining at least the Threshold performance, the plan permits the participant's supervisor or the executive officer for the participant's area to recommend no bonus payout, or a reduced amount **(Corporate, Unit/Functional or Individual)** if aspects of the participant's performance are deemed unsatisfactory.

(*) Employees who are actively engaged in interviewing residential real estate mortgage applicants, processing the applications and closing the loans are excluded from this plan. The Corporation has a separate incentive award plan for such employees.

The Plan protects shareholders' interests by requiring that the goals established will enhance bottom line performance while not encouraging excessive risk-taking and that a minimum level of performance is achieved before any incentive award can be made. At the same time the Plan provides management with a means to retain and attract top performers who increase the organization's financial performance by attaining their performance goals. The Plan requires that management perform an annual assessment and establishment of goals and provides a performance review and measurement system. The Plan requires management to consider non-financial goals designed to improve operational and risk management effectiveness, as well as financial goals, as appropriate for each participant's position. The Plan permits future inclusion of additional positions during a Plan year, if the need arises.

The calculation of the bonus to be distributed to the Plan participants, and the incentive formulas, are constructed to provide awards consistent with strong corporate financial performance and the participant's exceptional performance in his/her unit/functional area. The incentive formulas ensure a level of incentive award that is competitive with comparable positions and job levels in similar financial institutions, thus enabling Citizens & Northern to attract, retain, and motivate high-performing personnel and support continued growth and profitability. The determination of the bonus payable is described in Part II of this Plan.

The Plan is established to augment regular salary and benefit programs already in existence. The Incentive Plan is not meant to be a substitute for salary increases but supplemental to salary and as stated earlier, a reward for "exceptional" performance.

The Plan has been developed to recognize that the amount of incentive bonus award attainable by key executives should vary depending upon the executive's position with the company and the competitive levels of incentive bonus for those positions within the banking and financial service industry. Thus threshold, target and maximum Incentive Opportunities are established for each position.

Section 3: Other Payment Conditions

Termination for Reasons Other Than Death, *Permanent Disability* or Retirement – In the event of termination of employment for reasons other than death, *permanent disability* or retirement, the participant, at the discretion of the committee, may forfeit all unpaid incentive awards.

The Compensation Committee of the Board, and management, reserve the right to deny or modify an award to any participant. Such action may be due to, but not limited to, the failure of the participant to properly perform during the Plan year. Economic or other circumstances and considerations may dictate that incentive bonuses be reduced or eliminated in any given year. Accordingly, the Board of Directors may amend, alter or terminate the Plan at any time.

In the event a participant becomes disabled for a period greater than two (2) weeks, any salary continuation as a result of the Corporation's short and long-term disability programs will not be included in the base salary used for the incentive bonus calculation.

Section 4: Administration of the Plan

Throughout this Plan, reference to the actions and authority of the Compensation Committee of the Board of Directors ("the Committee") also presumes that the Committee will recommend, and the board of directors will approve or disapprove, final disposition of all matters pertaining to administration of the Plan. The Committee, with board approval, has the responsibility to interpret, administer, and amend the Plan as necessary. The recommendations of the Committee as approved by the board, affecting the construction, interpretation, and administration of the Plan shall be final and binding on all parties, including the Corporation, its subsidiaries and employees.

At or before the beginning of each Plan year, the Committee will review and may revise the operating rules. Performance targets the Incentive Bonus Plan Performance Matrix, and the Incentive Opportunity levels for corporate, individual and unit/functional awards for attaining those targets may be changed in order to emphasize specific goals and objectives of the Plan and to maintain a competitive incentive program. However, it is expected that the Plan will require modification only when significant changes in the organization, goals, personnel, or performance occur. The Chief Executive Officer shall be the Plan Administrator with the power to control and oversee proper administration of the Plan, and may recommend to the Committee proposed changes to the operating rules. Additionally, the Committee may engage a third party expert to review and amend the plan.

An individual or individuals designated by the Chief Executive Officer will perform the computation of incentive awards. Maintenance of participant payment records shall be the responsibility of the Human Resource Director.

Finally, the committee, with board approval, may exclude extraordinary occurrences, which could affect the performance awards, either positively or negatively, but are by their nature outside the significant influence of Plan participants. The characteristics of such extraordinary occurrences are generally that they involve the senior management and the board of directors in:

- The original decision to take some action.
- Mission-driven strategic Initiatives that sacrifice short-term income for long-term gain.
- Issues most related to a restructuring of assets, or unusual expense or income realization.

Extraordinary occurrences may be excluded when calculating performance results to ensure that the best interests of the shareholders are protected and are not brought into conflict with the intent of the Plan. When and if extraordinary occurrences are excluded from the calculation of corporate performance measures, they should also be excluded in calculating the bonus.

Section 5: Plan Participants

Executive management shall select and recommend for participation in the Plan employees in those job positions that are responsible for directing, implementing and performing functions that have a significant influence on the profitability and operational performance of the bank (key employees). Those job positions which are selected for participation in the Plan will be in positions that normally include an incentive bonus component in the compensation package offered by similar financial institutions.

At or before the beginning of each Plan year, the Committee shall review the recommendations of management on the selection of those positions eligible for participation in the Plan for that year. Management shall recommend the Incentive Bonus Plan Performance Matrix for the year. Additionally, management shall recommend a threshold, target and maximum Incentive Opportunity percentage of base salary for each position. Participants shall be notified of their eligibility as soon as selection is completed and the board of directors has adopted the Plan. The Committee shall review and recommend the inclusion of participants to the full board for their approval.

Positions and thus participants may be added during the Plan year at the discretion of management and the Committee, and the incentive award will be prorated from date of entry into the Plan.

Section 6: Payment of Individual Incentive Compensation Awards

Within 60 days following the end of the Plan year and as soon as the participant's performance has been evaluated and the financial and operating results are known, participants will receive their incentive payment as determined by the Incentive Bonus Plan Performance Matrix.

Section 7: Incentive Compensation Plan Operating Rules

Before the beginning of each Plan year, the Committee may review and revise, if deemed appropriate, Part II: Operating Rules of the Plan for the year then beginning. The operating rules shall include the following:

a) Identification of positions selected for participation in the Plan

b) The method for determining the amount of the total bonus to be paid to Plan participants, including the Incentive Bonus Plan Performance Matrix.

c) Schedules and formulas for determining the amount of the incentive compensation awards to Plan participants for the Plan year then beginning, including threshold, target and maximum performance measures and the percentage of bonus award determined by corporate, functional/unit and individual performances. Participants will be informed at or before the Plan year of the manner in which performance will be evaluated.

d) Other administrative and procedural rules, which the committee considers appropriate.

After approval by the Committee and the board of directors, management shall, as soon as practical, inform each of the participants of the operating rules for the Plan year then beginning.

Section 8: Performance Progress Reporting

Semi-annually the Plan Administrator will be responsible for communicating attainment of corporate goals during the course of the Plan year. Participants and their direct supervisors will meet periodically to review their performance relative to the established unit/functional and individual goals.

Section 9: Amendment or Termination of Plan

The committee, with concurrence of the board of directors, may terminate, amend, or modify this Plan at any time. The termination, amendment, or modification of the Plan may affect a participant's right to unpaid incentive compensation awards under this Plan.

Section 10: Other Considerations

Recoupment- Amounts allocated or paid pursuant to this Plan shall be subject to recovery by the Corporation under any claw back, recovery, recoupment or similar policy hereafter adopted by the Corporation, whether in connection with Section 954 of the

Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended from time to time, or otherwise, whether or not required by law.

Active Employment Contingency- Except in the case of a retirement, if a participant voluntarily terminates his or her employment with the Corporation or Bank prior to the date of bonus payout, the bonus will be forfeited.

Right of Assignment - No right or interest of any participant in the Plan shall be assignable or transferable, or subject to any lien, directly, by operation of law, or otherwise, including levy, garnishment, attachment, pledge, or bankruptcy.

Right of Employment - The participation in or the receipt of an award under this Plan shall not guarantee any employee any right to continued employment; the right to dismiss any employee is specifically reserved to the organization. The receipt of an award for any one year shall not guarantee an employee the right to receive an award for any subsequent year.

Change of Position – If a participant transfers to another position in the organization that is not included in the Incentive Compensation Plan, they will cease being a Plan participant. At the time of the position change a determination will be made as to whether the participant will be eligible for a bonus for the period during which they were a participant.

Withholding for Taxes - The organization shall have the right to deduct from all payments under this Plan any federal, state or local taxes which in the opinion of the Committee are required by law to be withheld with respect to such payments.

Salary - Salary is defined as base earnings for the year, which includes any increase in weekly rate of pay but not including any referral awards, brokerage or insurance commissions, taxable fringe benefits or prior bonus payments.

Board Prerogatives – It will be the right of the Board of Directors to amend, alter and/or terminate the plan in its sole discretion at any time.

Part II: Operating Rules

Section I: General

The following Incentive Compensation Plan Operating Rules will be in effect for the 2023 2024 plan year and until revised. These operating rules are subject to change by the Committee, before the start of the Plan year, with the approval of the board of directors. It is anticipated that the rules for 2023 2024 will be revised only if significant changes occur in organization, operations, industry compensation practices, or other pertinent factors.

Section 2: Corporate Performance Component - Incentive Bonus Plan Performance Matrix for 2023 2024

The corporate performance component of the Incentive Bonus is calculated based on comparison of C&N's Return onpercent ranking of Pre-tax, Pre-Provision Net Revenue Minus Net Charge-offs as a Percentage of Average Equity (ROAE) (PPNR/Average Equity) within a defined peer group of bank holding companies and thrifts for the defined measurement period as determined by the Committee.

For the purpose of determining PPNR/Average Equity, the provision for credit losses will be excluded from, and net charge-offs or recoveries of loans receivable and off-balance sheet exposures will be included in, the Corporation's and the peer group's earnings results. Further, the provision for income taxes will be excluded from the Corporation's and the peer group's earnings results. Also, for the purpose of determining PPNR/Average Equity, nonrecurring items, as determined by the Committee (to include nonrecurring acquisition expenses and securities gains and losses) will be excluded from the Corporation's and the peer group's earnings results. The peer group shall include selected publicly traded Commercial Banks and Thrifts within a geographic region reflective of Citizens & Northern's market area and with total assets of approximately one-half to that 2 times those of a Peer Group. Citizens & Northern.

The Committee reserves the right to change the composition of the peer group, as well as the method of evaluating the Corporation's earnings performance as compared to the peer group, based on mergers or acquisitions involving members of the peer group, changes in size of the Corporation or members of the peer group, or other factors deemed appropriate by the Committee.

The chart below will determine the Incentive Opportunity percentage of base salary from which the corporate performance component of a participant's bonus would be paid:

C&N's Percent ROAE Rank vs Peer	Corporate Award as % of Target
25	33%
30	46.4%
35	59.8%
40	73.2%
45	86.6%
50	100%
55	110.0%
60	120.0%
65	130.0%
70	140.0%
75	150%
80	150%
85	150%
90	150%
95	150%
100	150%
>100	150%

****

*The Peer Group shall include selected publicly traded commercial banks and thrifts within MD, NJ, NY, OH, PA, and WV with total assets between $1.1 billion approximately $1.2 billion and $4.6 $5.0 Billion.

EXHIBIT 10.5

Graphic

<u>20232024 Annual Performance Incentive Award Plan — Mortgage Lenders</u>

Section l: Purpose of the Plan

The purpose of the Performance Incentive Award Plan ("the Plan") is to provide variable compensation to Citizens & Northern employees who are actively engaged in interviewing residential real estate applicants, processing the applications and closing the loans. The Plan is designed to reward mortgage lending employees who attain and sustain consistently high levels of performance by meeting and exceeding defined goals and to provide a component of the compensation package essential to retaining and attracting quality employees in mortgage lending positions. Incentive awards are not directly tied to Company/mortgage business profits nor the terms of the closed-end mortgage transaction or a proxy for a transaction term. The expense of the plan is incorporated into the Company's operating budget. The objective is to align the interests of these employees with the interests of the Company in obtaining superior performance results while being in compliance with the SAFE Act and 12 CFR Part 1026.36 (Regulation Z).

Section 2: General Description

There are two components of the Plan: (l) **unit/functional performance**; and (2) **individual performance**. The **individual performance** component will be subject to an evaluation of the participants' overall contributions to the "team". To earn the individual component, the participant must attain at least the threshold performance level. **The unit/functional component** is based on the attainment of pre-established goals by the applicable branch or mortgage lending business unit. To receive the **unit/functional bonus** payout, the participant must achieve at least the threshold level.

In addition to goals based on production, the Plan requires management to consider non-financial goals designed to improve operational and risk management effectiveness, as appropriate for each participant's position. The Plan permits future inclusion of additional positions during a Plan year, if the need arises.

The incentive formulas ensure a level of incentive award that is competitive with comparable positions and job levels in similar financial institutions, thus enabling Citizens & Northern to attract, retain, and motivate high-performing mortgage lending employees.

The Plan is established to augment regular salary and benefit programs already in existence. The Incentive Plan is not meant to be a substitute for salary increases but supplemental to salary and as stated earlier, a reward for "exceptional" performance.

The Plan has been developed to recognize that the amount of incentive bonus award attainable by key mortgage lending employees should vary depending upon the employee's position with the company and the competitive levels of incentive bonus for those positions within the banking and financial service industry. Thus threshold, target and maximum Incentive Opportunities are established for each position.

Section 3: Other Payment Conditions

Termination for Reasons Other Than Death, Permanent Disability or Retirement — In the event of termination of employment for reasons other than death, permanent disability or retirement, the participant, at the discretion of the committee, may forfeit all unpaid incentive awards.

In the event a participant becomes disabled for a period greater than two (2) weeks, any salary continuation as a result of the Corporation's short and long-term disability programs will not be included in the base salary used for the incentive bonus calculation.

Section 4: Administration of the Plan

Throughout this Plan, reference to the actions and authority of the Compensation Committee of the Board of Directors ("the Committee") presumes that the Committee will recommend, and the board of directors will approve or disapprove, final disposition of all matters pertaining to administration of the Plan. The Committee, with board approval, has the responsibility to interpret, administer, and amend the Plan as necessary. The recommendations of the Committee as approved by the board, affecting the construction, interpretation, and administration of the Plan shall be final and binding on all parties, including the Corporation, its subsidiaries and employees.

At or before the beginning of each Plan year, the Committee will review and may revise the operating rules. The Incentive Opportunity levels for individual and unit/functional awards for attaining those targets may be changed in order to maintain a competitive incentive program. However, it is expected that the Plan will require modification only when significant changes in the organization, goals, personnel, or performance occur. The Chief Executive Officer shall be the Plan Administrator with the power to control and oversee proper administration of the Plan, and may recommend to the Committee proposed changes to the operating rules. Additionally, the Committee may engage a third party expert to review and amend the plan.

An individual or individuals designated by the Chief Executive Officer will perform the computation of incentive awards. Maintenance of participant payment records shall be the responsibility of the Chief Human Resource Director. Officer.

Section 5: Plan Participants

Executive management shall select and recommend for participation in the Plan employees in those job positions that are responsible for mortgage lending functions. Those job positions which are selected for

Graphic

participation in the Plan will be in positions that normally include an incentive bonus component in the compensation package offered by similar financial institutions.

At or before the beginning of each Plan year, the Committee shall review the recommendations of management on the selection of those positions eligible for participation in the Plan for that year. Additionally, management shall recommend a threshold, target and maximum Incentive Opportunity percentage of base salary for each position. Participants shall be notified of their eligibility as soon as selection is completed, and the board of directors has adopted the Plan. The Committee shall review and recommend the inclusion of participants to the full board for their approval.

Positions and thus participants may be added during the Plan year at the discretion of management and the Committee, and the incentive award will be prorated from date of entry into the Plan.

Section 6: Payment of Individual Incentive Compensation Awards

Within 60 days following the end of the Plan year and as soon as the participant's performance has been evaluated, participants will receive their incentive payment.

Section 7: Incentive Compensation Plan Operating Rules

Before the beginning of each Plan year, the Committee may review and revise, if deemed appropriate, the operating rules of the Plan for the year then beginning. The operating rules shall include the following:

a) Identification of positions selected for participation in the Plan.

b) The method for determining the amount of the total bonus to be paid to Plan participants.

c) Schedules and formulas for determining the amount of the incentive compensation awards to Plan participants for the Plan year then beginning, including threshold, target and maximum performance measures and the percentage of bonus award determined by functional/unit and individual performances. Participants will be informed at or before the Plan year of the manner in which performance will be evaluated.

d) Other administrative and procedural rules, which the Committee considers appropriate.

After approval by the Committee and the board of directors, management shall, as soon as practical, inform each of the participants of the operating rules for the Plan year then beginning.

Section 8: Performance Progress Reporting

Participants and their direct supervisors will meet periodically to review their performance relative to the established unit/functional and individual goals.

Section 9: Amendment or Termination of Plan

The Committee, with concurrence of the board of directors, may terminate, amend, or modify this Plan at any time. The termination, amendment, or modification of the Plan will not affect a participant's right to unpaid incentive compensation awards under this Plan.

Section 10: Other Considerations

Recoupment- Amounts allocated or paid pursuant to this Plan shall be subject to recovery by the Corporation under any claw back, recovery, recoupment or similar policy hereafter adopted by the Corporation, whether in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended from time to time, or otherwise, whether or not required by law.

Active Employment Contingency- Except in the case of a retirement, if a participant voluntarily is not actively employed by the Corporation prior to the date of bonus payout, the bonus will be forfeited.

Right of Assignment - No right or interest of any participant in the Plan shall be assignable or transferable, or subject to any lien, directly, by operation of law, or otherwise, including levy, garnishment, attachment, pledge, or bankruptcy.

Right of Employment - The participation in or the receipt of an award under this Plan shall not guarantee any employee any right to continued employment; the right to dismiss any employee is specifically reserved to the organization. The receipt of an award for any one year shall not guarantee an employee the right to receive an award for any subsequent year.

Change of Position — If a participant transfers to another position in the organization that is not included in the Incentive Compensation Plan, they will cease being a Plan participant. At the time of the position change a determination will be made as to whether the participant will be eligible for a bonus for the period during which they were a participant.

Withholding for Taxes - The organization shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments.

Salary - Salary is defined as base earnings for the year, which includes any increase in weekly rate of pay but not including any referral awards, brokerage or insurance commissions, golden nugget payments, taxable fringe benefits or prior bonus payments.

Board Prerogatives — It will be the right of the Board of Directors to amend, alter and/or terminate the plan in its sole discretion at any time. Any Incentive Bonus earned by the Participant at the time of amendment, alteration and/or termination shall remain due and payable as stated.

EXHIBIT 21

Name	Jurisdiction or State of Incorporation
Citizens & Northern Bank (A)	Pennsylvania
Bucktail Life Insurance Company (A)	Arizona
Citizens & Northern Investment Corporation (A)	Delaware
C&N Financial Services, LLC (B)	Pennsylvania
Northern Tier Holding LLC (B)	Pennsylvania

(A) Wholly-owned subsidiary of Citizens & Northern Corporation

(B) Wholly-owned subsidiary of Citizens & Northern Bank

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-162279 and 333-160682) and Form S-8 (No. 333-150517 and 333-138398) of Citizens & Northern Corporation and subsidiaries of our report dated March 16, 2023 March 11, 2024, relating to the consolidated financial statements and the effectiveness of Citizens & Northern Corporation and subsidiaries' internal control over financial reporting, which appears in this annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

/s/ Baker Tilly US, LLP

Baker Tilly US, LLP
Pittsburgh, Pennsylvania
March 16, 2023 11, 2024

EXHIBIT 31.1

CERTIFICATION

I, J. Bradley Scovill, certify that:

1. I have reviewed this annual report on Form 10-K of Citizens & Northern Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2023 11, 2024	By:	/s/ J. Bradley Scovill
Date		President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark A. Hughes, certify that:

1. I have reviewed this annual report on Form 10-K of Citizens & Northern Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2023 11, 2024	By:	/s/ Mark A. Hughes
Date		Treasurer and Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

In connection with the Annual Report of Citizens & Northern Corporation (the "Corporation") on Form 10-K for the year ended December 31, 2022 December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to each of the undersigned's best knowledge and belief:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

March 16, 2023 11, 2024	By:	/s/ J. Bradley Scovill
Date		President and Chief Executive Officer
March 16, 2023 11, 2024	By:	/s/ Mark A. Hughes
Date		Treasurer and Chief Financial Officer

Exhibit 99.1

GRAPHIC

ADAPTABILITY AGILITY: 2023

2022 Integrate Advance Strengthening connections through transformation & growth Navigating New Landscapes From Storms to Strength: Building a Legacy of Endurance

GRAPHIC

Strengthening connections through transformation & growth

GRAPHIC

Strengthening connections through transformation & growth TABLE OF

2023 ANNUAL HIGHLIGHTS

Honor&Remember 21

20 18

GRAPHIC

Dear Shareholder, Welcome From

Storms the 2022 edition Strength. Building a Legacy C&N's Annual Highlights. Each year, we use this report as an opportunity to reflect on the prior year and share with you the achievements we've made along the way. As we look back on the last 12 months, a guiding principle that has been consistent across our organization is "connection." The connections we have with our customers, our teammates, our communities, and our shareholders are what drive our mission of "Creating value through lifelong relationships," and collectively enable us to deliver robust financial results and customized solutions year after year. C&N posted net income of $26.6 million or $1.71 per share in 2022, compared to $30.6 million or $1.92 per share in 2021. While there were a variety of factors that influenced these results, our strong fundamentals were in clear view as growth in all regions substantially offset the headwinds of higher interest rates, volatile equity markets, and inflation that significantly impacted both revenues and expenses. As a reflection of the company's ongoing strength, cash dividends to shareholders increased from $1.11 per share in 2021 to $1.12 per share during 2022, producing a yield of 4.90% on the year-end share price of $22.86. Solid loan and deposit growth during the year drove an increase of $5.2 million in net interest income despite a decrease in PPP revenues of $5.6 million. The net interest margin reached 3.77% compared to 3.69% in 2021 reflecting the benefit of rising interest rates on asset yields relative to the cost of funds. The Federal Reserve's commitment to taming inflation by rapidly increasing rates had a major impact on revenue from the sale of mortgage loans, which dropped by $2.7 million, or nearly 78%. Overall wealth management

(Trust, Brokerage & Insurance) revenues increased modestly despite a decline of nearly 20% in the S&P 500 index, a key indicator of broad market performance. Noninterest expenses increased by $5.5 million, or 8.8%, through the combination of the higher cost of talent and ongoing investments in technology. Finally, the loan loss provision increased $3.6 million, or 98%, from 2021 primarily due to losses related to a single credit relationship. Overall credit quality remained strong throughout the year. The company's financial performance and risk profile have been resilient through the recent volatility, a nod to the expertise and collaboration of our commercial, retail, mortgage, treasury, and wealth management business lines and the related diverse revenue streams. As the impact of continued rate increases takes hold, many economists are forecasting a recession. Combined with the war in Ukraine, political division in the United States 04 | President CEO President CEO Photo taken by Donald Biresch, Ottsville, PA | 2023 Calendar Contest Winner Endurance Navigating New Landscapes

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GRAPHIC

President CEO | 05 Every year throughout its long history, C&N is presented with new challenges, yet 2023 was unique extraordinary from the beginning. As we turned the calendar from 2022 into 2023, the Federal Reserve continued its fight on inflation with continued rate increases. After reducing the fed funds rate target to 0%-0.25% at the onset of COVID in 2020, between March of 2022 and July of 2023, it raised the target rate 11 times to 5.25% to 5.50%, the fastest and largest increase in more than 40 years. While both short- and long-term rates increased, the pace of change on the short end produced an inverted yield curve that has persisted into early 2024. With an

inverted yield
PRESIDENT&CEO
curve generally heralding recession, economists have debated when (and if) recession would materialize, as higher rates have slowed the economy. In March, Silicon Valley Bank and Signature Bank were closed followed by the failure of First Republic Bank in May. While there have been few bank failures in recent years, these were three of the four largest failures in U.S. banking history. While the government and federal regulators took swift action to guarantee these banks' deposits and reassure customers, there were fears across the country regarding liquidity, regulatory mindset, all bankers to restore confidence in their banks and operating environment is demanding system. The industry responded well to these events, calming fears not expected reducing deposit churn as the months progressed. The C&N team took action relent as we turn reinforce customer confidence emphasizing calendar to 2023. Nevertheless, through investments in people and technology, C&N advanced on multiple fronts in 2022 and our year of

"transformation" saw fostered connections evolve into opportunities for value. Branches&Roots In a personal sense, we've all experienced the journey any given relationship takes – it starts with an initial point of contact where a connection is established. When you're a C&N customer, that point of connection could be striking up a conversation with a personal banker at your local C&N office or logging in to your mobile banking app when you're on the go. Wherever the connection is made, we want it to be memorable and set the foundation for a strong relationship. That's why, over the past year, we've been refining the ways we can make our connections - whether in-person or digital - more integrated, seamless, and customized. While this first connection is undoubtedly important, staying connected takes time, work, and commitment, and over the course of the last few years, we have had to rethink how it's done. With the recent remodeling across our branch network almost complete, we have realigned the banking space from being purely transactional to being a place where our clients can engage in deeper discussion with our teams. Relaxed conversation spaces rather than teller lines now take center stage, supporting the exchange of thoughtful dialogue to reach helpful solutions. We’ve paired our service-first approach with enhanced training opportunities for our teammates. With the introduction strength Client Engagement Blueprint, we are equipping capital position, diverse local depositor base, low level of uninsured deposits, and access to substantial additional sources of liquidity. These strengths remain today. “The experts team took action engage customers in meaningful business relationships, instead reinforce customer confidence emphasizing the strength simply teaching transactional processes. Additionally, we have a dedicated group our capital position, diverse local depositor base, low level teammates led by our Customer Experience Coordinator, uninsured deposits, and access leverage feedback from customers and teammates and identify and solve areas substantial additional sources friction along the customer journey. By listening to our customers and recognizing their needs, our teams are taking “connection point” opportunities to make banking smoother and offer the right solution for each unique need. Our Home Equity Line&Lock, rolled out last March, offers homeowners an extended draw period and flexible loan term so they can continue to invest in their homes while securing a competitive interest rate. This is a good option for homeowners needing flexibility in scheduling their improvements or additions. In November, we introduced our 14-month EZ Access Flex CD in response to the rapid increase in market interest rates. This product is an example of how our teammates recognized an opportunity to offer a timely investment option to bring even more value to our customers' assets. Another area where intentional connections and thoughtful conversations are yielding results is in our Wealth Management team. With the addition of EVP Chief Wealth Management Officer Matthew Bower early last year, the wealth team is better positioned to make substantial gains in 2023. In its 62nd year and with over $1 billion in assets under management, C&N Wealth Management will continue to provide tailored investment advice and wealth planning solutions through its client-focused and transparent approach. Our mortgage teams have a history of bringing value to our customers through specialized lending products. The EcoEquity home improvement loan, launched in the fourth quarter of 2022, liquidity. These strengths remain today." 2023 ANNUAL HIGHLIGHTS 04 Dear Shareholder,

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GRAPHIC

06 | President CEO continued this tradition by offering This environment highlighted our adaptability and agility as the entire team heightened our focus on sustaining and building our strong deposit base. Generating core deposits has always been solution key part of our relationship model that focuses on creating value our not simply paying the highest rates. This model provides both solid

liquidity and supports our historically strong net interest margin and earnings. I am pleased finance their residential solar, wind, report that the team's pivot and collective efforts accomplished our goals. Our performance for the year was solid and our strong financial position and risk profile supports our plans for growth. C&N posted a net income of $24.1 million geothermal home improvements. Other niche financing options will be a focus $1.57 per share

including compared to $26.6 million or $1.71 per share in 2022. 2023 results include a net charge to earnings of $.08 per share, a result of repositioning a portion of medical professional, first-time homebuyer securities portfolio zero down payment mortgages. Additionally, we're making investments in bank-owned life insurance. One of closing process most significant factors impacting 2023 results was the lack of growth in net interest income. While we did sustain our strong deposit base and generated solid loan growth, the cost of deposits and other funding sources increased seamless with E-closings than the yield on loans are preparing to launch investments causing a decline in this key revenue source. Offsetting this revenue decrease, same convenient online experience provision credit losses declined substantially, reflecting strong and stable credit quality in the loan portfolio. Non-interest income, excluding the impact of the balance sheet restructuring in the fourth quarter, increased somewhat. And the increase in noninterest expenses reflects the impact of inflation as well as ongoing investments in home equity loans. These cumulative efforts to improve all these solutions, while never complete or "done," align with our mission to create value for customers. Our business model is designed to expand and deepen relationships with those in long-standing markets and our recent moves into southeastern and southcentral Pennsylvania provide substantial opportunities for new connections that will drive future growth as well. Technology&Data As the shift to increasingly digital platforms accelerates, connecting with our customers via mobile and desktop apps has become the norm. I am proud to say that the ways in which our teams adapted our relationship-based model to our technological offerings has created new opportunities capacity through convenient for customers competitive solutions. To thrive and advance position for growth. 4 Bank stock prices were generally volatile during 2023, in times of technological change, our team has assumed included. The December 31,2023 closing price was $22.43, about 2% lower than a year earlier. However, role of proactive change agents. Enhancements to our mobile banking app, introduced in November, gives users an even more seamless digital experience with conveniently located navigation buttons 52-week high the option for an “instant balance” display. We’ve also bolstered our lending capabilities low were $23.90 and $16.71, respectively. All a lending partnership with Upstart and a forthcoming lending platform for small businesses which will streamline the lending process for our commercial clients. With a commitment to fostering digital innovation and delivering scalable

solutions, the these
fluctuations,
Technology team has
also been hard shares
retained a strong
valuation relative to the
industry as measured
by price-to-book value
and price earnings
multiples. Supporting
this strength and
reflecting confidence in
the future of C&N, total
cash dividends to
shareholders for 2023
remained work
behind $1.12 per
share. This represents
a 4.99% annualized
yield on C&N common
stock based on
scenes
transforming December
31, 2023, closing price
of $22.43 per share.
Branches&Roots With
the disrupted banking
environment of 2023,
data management
capacity, automating
key digital workflows,
integrating
systems Branch
Delivery teams went
above
platforms, beyond to
educate enabling
safe migration inform
customers on the
details of deposit
insurance, while
meeting their needs
and creating value. As
always, we worked
cloud-based platforms.
These projects are just
a cross-section of the
numerous initiatives
that have allowed
us enhance our ability
improve internal
productivity this year,
empowering provide
outstanding service by
asking customers and

perform consider the hallmarks of a great C&N experience and how we can know when we've delivered. Utilizing this feedback, our customer Experience Coordinator and dedicated Customer Experience Team developed formal standards that will serve as a framework for providing consistent, streamlined, excellent service. This means instead of simply recommending a product or service without context, our teams are seeking to understand customer needs, and recommend appropriate solutions based on roles while serving our customers even more efficiently, and preparing C&N for future growth. Teams&Culture We're thankful for achievements in so many areas, but success could not have been realized without our incredible teammates. The level of ingenuity, determination and dedication 05 2023 ANNUAL HIGHLIGHTS

GRAPHIC

President CEO | 07 existing 'connection points' with C&N, whether that's depositing a check with your Personal Banker, or assessing retirement options with a Financial Advisor. We're also deepening the connection with our Southeast and Southcentral Pennsylvania regions. In August, we welcomed three new members to our Southeast Wealth Management team and in January 2024 we welcomed three new commercial lenders to serve the Lancaster area, ensuring we are well-positioned to pursue opportunities in each market. Technology&Data We continued to make significant, targeted investments in technology that will help us to anticipate our customers' needs and provide the means for following up promptly this organization departments when a need second-to-none as demonstrated by the overwhelming involvement in recognized. We're also making Giving Back, Giving Together (GBGT) community fundraising program. Last products, services and platforms even easier and more streamlined. Our new small business lending platform, for example, will allow small business customers to quickly apply for a loan with a few clicks or swipes on their phone! In closed updated Children & Youth campaign, netting over $85,000 C&N Lifetime credit card platform with significantly improved functionality and several enhanced features. This new portal allows for a fully digital application process, mobile friendly website, greater utility and value for business customers, and easy access to account services. We also advanced technology with the introduction of “Andy”, our virtual assistant, that helps customers answer questions 24/7! And donations the coming months, we will be introducing significant enhancements to our online deposit platforms that will provide a seamless, convenient digital experience both personal and business banking. Teams &Culture In January 2023, Kelley Cwiklinski joined the executive team as local children’s services. Since June, our Chief Commercial Lending Officer. In addition to her broad experience, Kelley’s leadership and commitment to creating value for customers is a great fit for C&N and was important as we navigated the challenging marketplace in 2023. Our continued to show unfailing support for again shone communities raising just over $70,000 (and counting!) for 34 Local Emergency Services organizations across the C&N footprint. It is through these community connections that C&N continues to deliver on its mission of “creating value through lifelong relationships.” The drive to live out our values extends to strategic integration. As we continue to enhance our relationship-based business model, C&N’s Leadership Team has been pressing forward plans to equip teammates with productive tools, resources and systems. Shelley D’Haene, our Chief Digital Channels and Payments Officer, announced her plans to retire in January of 2023. During the 23 years she dedicated to C&N, Shelley’s leadership and engagement made a lasting contribution dedication growth and support service. Most importantly, she was a strong voice of support 2023 ANNUAL HIGHLIGHTS 06 “Our performance our people and culture. Shelley provided excellent transitional support and guidance to Alex Balagour, our Chief Information Officer, as he assumed leadership for C&N’s Operations, Client Care Center and Technology departments. We wish her well in retirement. We continue to make adjustments designed to align our structure with our strategy, including the reorganizing our Talent Development team, which is focused on attracting and retaining high-performing teammates and strengthening our workplace culture. Collectively, these efforts create a set of integrated functions and systems that will empower our teams to serve – both internally and externally – with greater efficiency. As we enter our 159th year, C&N is positioned to pursue exciting opportunities amid a challenging economic, competitive, and regulatory environment. We know from experience that the only constant is change and, as we continue to write the C&N story, we're committed to steadily building and maintaining meaningful relationships that will stand the test of time and create long-term value for our shareholders. Thank you for your ongoing support and we look forward to continuing our connection with you in ahead. J. Bradley Scovill President & CEO Our Core Values Client-Focus Consider your customer in everything you do. Excellence Do your best. Every day. Every time. Integrity Do the right thing when no one is looking. Responsibility & Accountability Work like you own it. Teamwork Together we are stronger. Respect Value one another. Have Fun! Work hard! Play hard! WIN! Photo taken by Jason Robson, Knoxville, PA | 2023 Calendar Contest Winner was solid and our strong financial position and risk profile supports our plans for growth.

GRAPHIC

communities with our Giving Back, Giving together initiatives. Last May, we closed our Emergency Services campaign, bringing in over $100,000 to support local emergency services organizations. Our current cause of supporting local seniors has already earned over $50,000, halfway to our $100,000 goal! C&N is partnered with 33 local senior organizations on their mission, and our teams will continue to support this cause across all markets in 2024! We also had a record year for our financial literacy programs, reaching over 1,700 students with our Teach Children to Save and Get Smart About Credit in-school presentations. These achievements reflect our unwavering commitment to financial education and community engagement. And in January we began our Safe Banking for Seniors program; an initiative that helps seniors navigate financial topics like avoiding scams, understanding power of attorney, and preventing identify theft. As we reflect on the events of 2023, it's clear we would not be here without the engagement and resilience of our teams. Through all the challenges of this most unique year, they remained focused on creating value for our customers, reaffirming our commitment to serving the community, while also building capacity to pursue our strategy for growth. It is their effort that will continue to generate long-term value for you, our shareholders.

Our current cause of supporting local seniors has already earned over $50,000, halfway to our $100,000 goal! We're also making our products, services & platforms even easier and more streamlined. Our new small business lending platform will allow small business customers to quickly apply for a loan with a few clicks or swipes on their phone! 07 2023 ANNUAL HIGHLIGHTS J. Bradley Scovill President & CEO

GRAPHIC

LEAD&GUIDE 2023 ANNUAL HIGHLIGHTS | Lead Guide Lead Guide

Skye L. Mahosky Elizabeth Pivirotto Executive Assistant to the CEO Glenn James EVP & General Counsel &

Shelley L. D'Haene Kelley Cwiklinski

Digital Channels & Payments Commercial Lending

Glenn James EVP & General Counsel & Corporate Secretary

We are grateful to our Board of Directors & Advisory Board members for lending their expertise to further the mission of C&N and for providing us with valuable insight into the communities we serve. Photo taken by Jeff Hoodak, Dushore, PA | 2023 Calendar Contest Winner

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GRAPHIC

Lead Guide | 2023

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HIGHLIGHTS

James
A. Bowen

James
N. Capriotti

Lawrence J.
Connolly
Warren J.
Croft

David D.
John M.
Estep
Jr.

Lindsay R.
Harding

John C.
Kenyon

Lori J. Reed

Andrea F. Streich Mark W. Smith Edwin W. Tompkins, III

Andrea F. Streich

Jr.

Nichole B. Crawford

J.

Daniel K. Mathers

D.

Savoy

Melissa M. Young

Carolina Cabrera DiGorgio

Paul P.

Timothy E. Schoener VP & CIO, UPMC Pinnacle

We are grateful to our Board of Directors & Advisory Board members for lending their expertise to further the mission of C&N and for providing us with valuable insight into the communities we serve.

GRAPHIC

DOLLARS&SENSE 2023 ANNUAL HIGHLIGHTS | Awards Recognition Dollars Sense Photo taken by Mackenzie Johnston, Wellsboro, PA | Calendar Contest Winner 2022

2023 HIGH LOW DIVIDEND DECLARED PER QUARTER High Low Dividend Declared per Quarter 2021 High Low Dividend Declared per Quarter HIGH LOW DIVIDEND DECLARED PER QUARTER First quarter $23.90 $20.06 $0.28

First Second $24.99 $18.98 $0.27 21.72 16.71 0.28

Second Third 25.69 23.00 21.71 21.38

Third Fourth 25.97 23.73 23.50 16.92

0.28 Fourth quarter 27.99 24.52

GRAPHIC

DILUTED
EARNINGS
PER SHARE
(In Thousands)
11 2023
ANNUAL
HIGHLIGHTS4
2023

2018
Dollars Sense |
11 Dollars
Sense

2023

2018

$113,504

$50,328

33,104

4,625

80,400

45,703

loan credit
186

584

loan credit
80,214

45,119

(losses)
27,453
18,597
realized
(losses)
(3,036)
2,033
0 0
0
328
74,148
39,158
30,483
26,263
6,335
4,250
$24,148
$22,013
$23,962

$21,903

2023

2018

$1.57

$1.79

$1.57

$1.79

$1.12

$1.08

$17.15

$16.02

$13.56

$15.05

15,241,859

12,219,209

15,241,859

12,257,368
DILUTED
EARNINGS
PER SHARE
(In Thousands)
$2.10 $1.75
$1.40 $1.05
$0.70 $0.35
$0.00 2022
2021 2020
2019 2018

$2.10
$1.75 $1.40
$1.05 $0.70
$0.35 $0.00
2023 2022
2021 2020
2019

GRAPHIC

2023 ANNUAL
HIGHLIGHTS |
Dollars Sense

$1,700,000
$1,500,000
$1,300,000
$1,100,000 $900,000
$700,000 $500,000
GROSS LOANS (In
Thousands)
$2,400,000
$2,000,000
$1,600,000
$1,200,000 $800,000
$400,000 $0 TOTAL
ASSETS (In
Thousands)
BALANCES

(In BALANCES(In

2023

2018

$415,755

$363,273

1,848,139

827,563

loan credit

on loans 19,208

9,309

2,515,584

1,290,893

2,014,806

1,033,772

211,759

48,768

262,381

197,368

(38,437)

(4,170)

15,295,135

12,319,330

2023

2018

$2,372,788

$2,319,234

$2,009,825

$1,540,469

$1,276,140 2,462,856

2,372,788 2,319,234

2,009,825 1,540,469

2,341,617

1,205,429

1,792,149

822,346

1,971,926

1,027,831

248,494

187,895 TOTAL ASSETS (In Thousands)

$2,800,000

$2,400,000

$2,200,000

$2,000,000

$1,800,000

$1,600,000

$1,400,000 2023

2018 GROSS LOANS (In Thousands)

$2,000,000

$1,800,000

$1,600,000

$1,400,000

$1,200,000

$1,000,000 $800,000

2023

2018

GRAPHIC

fully taxable fully-
taxable

losses. losses and
enhancement fee of $2.1
million included in noninterest
income related to purchase of
Bank-Owned Life Insurance in
2023. 2023
2018
0.98%

1.72%
9.72%
11.72%

10.09%
14.72%
3.47%

3.90% 69.51%

59.69%

71.34%

60.34%
9.87%

14.78%
13.27%

23.24%
15.67%

24.42%
8.43%

14.50%

0.75%
1.37%

0.99%
1.94%
loan credit
1.04%

1.12% Credit adjustment on
purchased non-impaired loans
and allowance for loan losses

as a % of total loans and the credit adjustment 1.06% 1.08% 1.05% 0.93% 1.12%

0.01%

0.02%

$2,100,000 $1,800,000 $1,500,000 $1,200,000 $900,000 $600,000 0 DEPOSITS STOCKHOLDERS' EQUITY

STOCKHOLDERS' EQUITY (In Thousands) 2023

2018 DEPOSITS (In Thousands) $2,100,000 $1,800,000 $1,500,000 $1,200,000 $900,000 $600,000 0 2023

2018

GRAPHIC

2023 ANNUAL HIGHLIGHTS | Dollars Sense 2023 (In Thousands Except Per Share Data) (Unaudited) 1st quarter March 31 2nd quarter June 30 3rd quarter Sept. 30 4th quarter Dec. 31 Interest income $26,139 $28,011 $29,118 $30,236 Interest expense 5,358 7,649 9,455 10,642 Net interest income 20,781 20,362 19,663 19,594 (Credit) provision for credit losses (352) 812 (1,225) 951 Net interest income after (credit) provision for credit losses 21,133 19,550 20,888 18,643 Other income 5,609 6,635 6,489 8,720 Net realized gains (losses) on available-for-sale debt securities 7 (1) 0 (3,042) Other expenses 19,087 18,722 17,940 18,399 Income before income tax provision 7,662 7,462 9,437 5,922 Income tax provision 1,409 1,419 1,846 1,661 Net income $6,253 $6,043 $7,591 $4,261 Net income attributable to common shares $6,201 $5,996 $7,534 $4,231 Net income per share – basic $0.40 $0.39 $0.50 $0.28 Net income per share – diluted $0.40 $0.39 $0.50 $0.28

Mar March

loan credit

loan credit

realized

2021 (In Thousands Except Per Share Data) (Unaudited) 1st quarter Mar. 31 2nd quarter June 30 3rd quarter Sept. 30 4th quarter Dec. 31 Interest income $21,754 $20,428 $21,073 $21,246 Interest expense

1,671 1,747 1,614 1,530 Net interest income 20,083 18,681 19,459 19,716 Provision for loan losses 259 744 1,530 1,128 Net interest income after provision for loan losses 19,824 17,937 17,929 18,588 Other income 6,782 6,300 6,359 6,416 Net gains (losses) on available-for-sale debt securities 0 2 23 (1) Other expenses 15,709 15,399 15,346 16,018 Income before income tax provision 10,897 8,840 8,965 8,985 Income tax provision 2,110 1,780 1,566 1,677 Net income $8,787 $7,060 $7,399 $7,308 Net income attributable to common shares $8,722 $6,999 $7,336 $7,256 Net income per share – basic $0.55 $0.44 $0.47 $0.46 Net income per share – diluted $0.55 $0.44 $0.47 $0.46

2021 2023

GRAPHIC

Dollars Sense | 2023

ANNUAL HIGHLIGHTS4

2023

2018 2023

2018

2023

2018

Trust Under

Management $1,188,082

$862,517 Trust

$7,413

$5,838

2023

2018

$732,876

$506,201

230,120

172,695

111,457

103,037

98,919

68,129

8,796

5,517

5,899

6,798 15

140

$1,188,082

$862,517

2023

2018

$452,395

$342,501

418,393

256,430

201,450

176,428

103,906

79,786

4,028

2,431 7,910

4,941 $1,188,082

$862,517

GRAPHIC

Rainmaker Referrals Team members who referred over $100,000 in closed business to C&N Wealth Management. Karim Abouelenein Kim Gardner Lynne Ruffner Muhammad Abubaker Nichole Green Sarah Russell Bryan Bailey Billie Jo Haas Ryan Satalin Courtney Baker Heather Henrich Jenelle Selleck Marissa Berthiaume William Holmes Patrick Shandera Toni Bolt Bob Kile Dawn Shoemaker Crystal Bristol Nick Kreighbaum Rose Siegel Sabrina Bubeck Elizabeth Loman Bruce Smithgall Lesley Clayton Rebekah Lund-Immel Amy VanBlarcom-Lackey Earl Clevenstine Fawn Lynde Sharlene Wagner Courtney Cole Thomas Maclin Amy Ward Ellen Conboy Ashley Merritt Mike Wetzel Lauri Dale Dan Miller Kim Whiting Rhonda Dawson Hannah Molyneux Barbara Yanchuk Diane Egly Christina Nolte Darcey Yearick Emma Frey Joan Rohe Cindy Zamroz Awards Recognition AWARDS&RECOGNITION 2023 ANNUAL HIGHLIGHTS 16

711

82

years of service. C&N is proud and appreciative of their dedication to the organization. 27 Years of Service Karen Blackwell Wellsboro 23 Years of Service Shelley D'Haene Wellsboro 16 Years of Service Stacy Elliott Muncy 6 Years of Service Halle Niklaus Williamsport 5 Years of Service Dawn Hathaway Remote 4 Years of Service Barbara Yanchuk Troy <1 Year of Service Cheryl Barshinger Port Allegany Photo taken by Maria Ananea, Williamsport, PA | 2023 Calendar Contest Winner

GRAPHIC

Awards Recognition | 17 MILLION DOLLAR CLUB Lenders earned one star for each month where they closed $1,000,000 or more in loans. Mortgage Lenders Commercial Lenders Rachel Brill □□□□□□□□□ Daniel Hines □□□□□ Andee Bryan □□□□□□□□□ Will Holmes □ Patrick Davis □□□□□□□□□□□ Thomas Howley □□□□□□□□ Linda Gordner □□□□□□□ Peter Johnson □ Kathi Heimbach □□□□□□□ Robert Kile □□□□ Thomas Maclin □□□ Michael Kilgour □□□□□ Michelle Rae □□□□□□□□□ Daniel Miller □□□□ Amanda Seeley □ James Miller □ Anna Shipman □□ Shane Moser □□ Stacey Sickler □□ Janet Nitka □□□□□□□□ Tyler Sones □□ Lindsay Pickering □ Commercial Lenders Jay Power □□□□□ Greg Adamson □□□□□ Ryan Satalin □□□□ Robert Bradford □ Patrick Shandera □ Bob Burns □□□□ Kathleen Shepard

□□□□□ Earl Clevenstine □□□ Stephen Sherman □□□ Courtney Cole □□□□□ Bruce Smithgall □□□□□□□ Brian Collins □□□□ Amy VanBlarcom-Lackey □□ Edward Dixon □□□□ Cindy Zamroz □□□ Kevin Dougherty □□□ Years of Service Milestones 40 C&N team members were recognized for their combined 460 236

35 Sayre 22

Justin Krellner 20 Janis Bartlett Muncy 18

Gabrielle Conway Melissa Dunn Linda Gordner Jodi Lovett Charity Shaefer Jessica Sweet Diane Egly Williamsport 6 Years of Service Karen Pangrazzi Wellsboro 43 Years of Service Mark Miller Wellsboro 21 Years of Service Teri Snyder Sayre

Mary D'Ottavio Janice Graybill Lauri Hall Matthew Landis Julie Lane Caroline Wilczynski Tioga 3 Years of Service Patrick Davis Doylestown 36 Years of Service Christopher Bolt Wellsboro 19 Years of Service Darci Baird Sayre 8 Years of Service Lynne Povish Old Lycoming Years of Service Milestones 38 C&N team members were recognized for their combined 455 years of service. C&N is proud and appreciative of their dedication to the organization. 35 Years of Service Dianne E. Zimmerman 30 Years of Service Leslie R. Raymond Wendy J. Smith 25 Years of Service Peter J. Boergermann Victoria S. Harrison 20 Years of Service Amy S. Bowser Christopher J. Rell 20 Years of Service Tracy E. Watkins Nadine M. Wingrove 15 Years of Service Cassie J. Brelo Laeken M. Cook

Chrissi L. Hume

Adam Heitzenrater Benjamin Howe Kristen Malesky Adam Mertes Michelle Rae Cindy Raub Rachel M. Brill Kori A. Casselberry Felicia M. Crumb 10 Years of Service Patricia H. Ibach Amy L. Long Wesley A. O'Neil Amanda M. Reed Lynne M. Smith

Tabitha Barshinger Denise Brinckman Crystal Bristol Desiree Burke Anthony Diasparra Tania Gardner Meghan Geiser Nicole Green Vanessa Johnson Christina Marmara Amy McMichael David Moore Deana M. Campbell Riley S. Collins Christian A. Cuff Angela M. Day Kristine L. Drake

Corinna Murphy Karen Pangrazzi Ryan L. Eck Piller AnnaMarie Shipman Rosemarie Siegel Jennifer Simonds Ashley Woods J. Hickey Phylis A. Jensen Susan C. Kehler

Corinne B. Mast Alyssa A. Morey Maureen L. Putnam Tyler R. Sones Ryan J. Tevlin Jessica R. Walton Shelby H. Wheeler The Teri L. Mitchell Scholarship The Teresa (Teri) L. Mitchell Scholarship honors Teri's 37 years of devoted service at C&N, encapsulating her commitment to professional growth. Established in her memory, the scholarship supports C&N teammates displaying dedication to ongoing professional development and a strong work ethic. Congratulations to the 2023 Scholarship winners, embodying the values cherished by Teri. This legacy scholarship provides recipients with the opportunity to attend the PA Bankers Association's Women in Banking Conference, echoing Teri's appreciation for educational opportunities. • Lindsay Bickley • Rachel Brill •

Jessika Garner • Samantha Pecynski • Maria Ryan • Kristen Summerson

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18 | 4 AWARDS&RECOGNITION 17 2023 ANNUAL HIGHLIGHTS Best Team Partner Award Training & Development Team Best Team Partner Award Accounting Team Impactful Recognition Impactful Awards Spirit of Service Award Brittany Weiskopff (left), Executive Assistant, Wellsboro, presented by Hal Hoose. Jessica Walton (right), Trust Administrator, Sayre, presented by Tom Rudy. Spirit of Service Award Top Performing Team Phylis Jensen (right), AVP - Retail Operations Coordinator, Wellsboro, presented by Cassie Brelo. Commercial Lending Team accepted on behalf of the team by Kelley A. Cwiklinski, Chief Commercial Lending Officer Achievement Award Winner (Manager Nominated) Recipients of this award were recommended by their supervisors to recognize teammates who displayed excellence in hitting their goals and driving the mission of the bank. Growth Award Winner (Manager Nominated) This award recognized team members who showed tremendous improvement in achieving their goals, learning new skills & showing initiative to improve and learn from

their team members. Janet Nitka SVP /Senior Commercial Lending Relationship Manager (center) Joselyn Remphrey (right), Retail Operations Coordinator, Muncy Kelley Cwiklinski Tom Rudy, Tracy Merrick and Blair Rush (right). Christina Riccio Consumer Loan Servicing Universal Client Contact (center) Wellsboro. Gwen Plaskin (left) and Justin Martin (right). Our Audit, Compliance & Risk team was selected as the winner for both the High Performing Team Award, selected by our Executive Leadership Team, and the peer nominated Best Team Partner Award. Pictured (from left): Back row: Samantha Pecynski, Julie Lane, Sonya Route, John Reber, Alassa Nudd, Elijah Compton Front row: Sara Heatley, Christina Moyer, Laeken Cook, Pete Boergermann Not Pictured: Sharon Tapp & Kathy Yiggle Congratulations to our Audit, Compliance & Risk Team Each Spring, C&N awards four employees with the Teresa (Teri) L. Mitchell Scholarship. This is a legacy scholarship that keeps the spirit of Teri and her dedication to C&N alive by providing employees with paid attendance to the PA Bankers Association's Women in Banking Conference. Pictured (from left): Shelley D'Haene, Stacey Sickler, Tracy Watkins, Brad Scovill, with scholarship recipients; Linda Gordner, Danielle

Kohler, Kristina Remley, Lindsay Pickering & Paige Weiss Teri L. Mitchell Scholarship Recipients Hal Hoose.

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Awards Recognition | 19 Impactful Awards

Spirit COMMUNITY&COMMITMENT 2023 ANNUAL HIGHLIGHTS 18 C&N's story isn't confined to balance sheets and teller windows; it's woven into the very fabric

Service Award Winners (Peer Nominated) the communities we serve. We're more than just a bank, we're neighbors, friends, and partners, dedicated to building a brighter future for everyone GIVING BACK, GIVING TOGETHER: C&N's "Giving Back, Giving Together" initiative works to rewrite the story for local seniors. As of December 2023, this remarkable effort has already surpassed $50,000, but the true measure lies not in dollars, but in the 317 essential items donated, the 55 volunteer hours shared, and the countless smiles painted on faces that truly define this effort. Every dollar raised stays within our community, supporting 33 local senior organizations who know our seniors best. don't just deliver warmth; we remind our seniors they're valued, their stories treasured, their lives worth enriching. Join us in rewriting the narrative! Every donation, every volunteer hour, every item brought with a compassionate heart brings us closer to that $100,000 goal, and closer to warming the hearts of countless seniors, work year round. FINANCIAL WELLNESS PROGRAMS Building a brighter future starts someone who makes coming financial literacy. Through a partnership with the American Bankers Association Foundation, our teammates provide financial wellness programs that reach across generations, touching the lives of children, teens, and even seniors, paving the way for brighter financial futures. • Teach Children work a positive & happier experience. This award recognizes those who Save (TCTS): 1,254 children, as of December 2023, a positive attitude learned early lessons in financial responsibility, equipped with the confidence to navigate their future financial journeys. "C&N's commitment to community is woven into the very core of our being. It's not confined to financial transactions, but extends into the realm of year-round support show care and support for their teammates and customers. Joy Klun Loan Support Specialist (center) presented by her team members. Gwen Plaskin AVP/Regional Treasury Management (right) presented by Aaron Waldon (left). Cody Bowen AVP/ Training and Development Manager (left) presented by Tracy Watkins (right). Riley Collins Programming & System Support Analyst (center) presented by Travis Marzo (left) and Janice Wilcox (right). Justin Martin Loan Servicing Manager (right) presented by Gwen Plaskin (left). empowerment."

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Community Commitment Photo taken by Deb Young, Mansfield, PA | 19 Calendar Contest Winner At C&N, we believe ANNUAL HIGHLIGHTS4 • Get Smart About Credit (GSAC): 450 teens have been empowered with vital credit knowledge, fostering positive wellness should be a holistic approach to managing finances habits encompasses decision-making, effective money management, and achieving short-term and long-term financial goals. It is critical for individuals of all ages and life stages to have access will guide them throughout their lives. A special shout-out tools Emporium Team, whose dedication reached 122 teens resources they need earned them the internal competition win! But the impact goes beyond numbers. Even the smallest of presentations, the quietest whispers of financial wisdom, make a difference. We recognize this, applauding not just our top performers but every team member and office staff who contributes make informed decisions along their journey to optimal financial health. Our C&N teammates play a vital role our success. This dedication shines through helping their customers our exciting initiative for 2024: "Safe Banking for Seniors." Aligning with our core values of customer protection communities achieve financial wellness. They are dedicated to providing

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comprehensive expertise, community this program will provide easy-to-use materials help individuals reach protect and educate senior customers, ensuring goals. In 2022, security and peace of mind. BUILDING BRIGHTER FUTURES, TOGETHER C&N's commitment to community is woven into the very core of teammates visited local high schools being. It's not confined to financial transactions, but extends into the realm of year-round support elementary schools, giving 37 presentations & reaching over 1,200 kids and teens. Their efforts empowerment, from winter warmth for seniors educate financial literacy for generations to come. Our dedication is an inspiration, our impact undeniable. As we move forward, we are proud to continue our tradition of weaving threads of kindness, knowledge, their communities have shown remarkable results, with a substantial number of customers who are taking advantage of our online financial education resources, such as our interactive library, which had over 13,000 unique visitors. Additionally, over 100 students used into interactive financial game, spending a total of 157 hours playing and advancing their financial knowledge. Financial instability can have a strong emotional and practical toll on individuals and their families. Our goal is to help create a brighter future for our communities by providing the tools and resources needed to achieve financial wellness. Financial wellness is not just about individuals but also about the overall health and prosperity of communities. Based on this belief and the desire of our C&N teammates to do more, the "Giving Back, Giving Together" program was born. From June 2021 to May 2022, C&N's teams partnered with 22 children's services organizations and raised over $85,000 in monetary donations to ensure that local

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Coaching Sessions: 737 Community Commitment | 21 Community Commitment Financial Wellness Community Members Educated Kids: 716 Teens: 657 Seniors: 80 Interactive Articles Financial Assessments: 94 108 Enrollments in 2022 156 Hours in Courses Financial Wellness Courses 81% Average Post-test score Unique Visitors: 13K

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22 | Community Commitment kids have access to essentials such as proper food, clothing, and shelter. Our teammates recognize the importance of supporting these causes with more than just money. They have taken a multi-faceted approach to make a

difference by volunteering alongside these organizations and collecting over 4,600 essential items to help these organizations fulfill their missions. Working together with these local services to provide food, clothing, and shelter to children is vital to ensuring that they have the basic necessities to live and grow. These services are crucial in breaking the cycle of poverty and helping children to reach their full potential. In June 2022, C&N's teammates shifted their focus to supporting 34 local emergency services organizations, such as fire and rescue departments, which play a critical role in keeping communities safe and secure. These organizations provide critical support in times of need and help 96.8% of fire departments in PA & 90.2% in New York rely on volunteers to service their communities.*

3x Call volume has more than tripled in the last 34 years.*

2020 In 2020, the number of volunteer firefighters in the U.S. reached a low of 676,900.*

$500,000 The average cost to purchase a fire truck is a half a million dollars, on average.*

$20,000 The average cost to train & equip each firefighter.*

Fire Department Statistics

*Statistics according to US Fire Administration

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Community Commitment | 23 to protect community members from harm. By supporting this cause, C&N is not only helping individuals and families in need but also strengthening the overall communities.

Since June, C&N's teams have raised over $70,000, donated over 2,800 essential items, and volunteered over 200 hours to support the work of these organizations. C&N's "Giving Back, Giving Together" program and financial wellness initiatives underscore our commitment to providing financial wellness for all. Our hope is to not only assist individuals and families in need but also to strengthen the overall well-being of our communities. We believe that by working together, we can create communities, one empowered individual, one brighter future at brighter and more secure future for all and ensure that our communities remain vibrant and thriving places to live. C&N Statistics $70,544 Monetary Donations* 2,876 Item Donations* 211 Volunteer Hours* $616,163 Funds raised since 2015 350,000 175,000 525,000 700,000 *June 2022 - January 2023 time

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