

Northumberland Bancorp

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Dear Shareholder:

November 20, 2020

The Company's performance during the third quarter of 2020 was very strong. Net income for the third quarter was \$1,247,000, compared to \$1,085,000 during third quarter 2019, representing an increase of 14.9%. For the first nine months, the Company earned \$2,999,000, compared to \$2,708,000 during the same period in 2019, which is an increase of 10.7%. Non-interest income increased 52.7% to \$1,667,000. The increase was primarily due to gain on sale of mortgages together with increases in loan fees and debit card income. Non-interest expense increased \$317,000, due to higher salary and benefit costs, together with a onetime software expense. Net interest income declined \$139,000, which is attributed to the general decline in interest rates. Net interest margin was 2.93% for the quarter, compared to 3.33% in 2019.

The Company continued to grow during the third quarter of 2020. The assets of Northumberland Bancorp, parent company of The Northumberland National Bank, reached \$590,032,000 as of September 30, 2020, compared to \$543,775,000 at September 30, 2019. Loans, including loans held for sale, declined \$3,911,000 over the past year to \$366,651,000. In spite of successfully processing more than 90 PPP loans, loan payoffs and normal amortizations were not fully replaced by new loans. Deposits grew significantly as a result of liquidity generated from COVID stimulus payments. We believe some of this growth will be temporary as customers spend their stimulus money as the economy improves. Deposits grew from last year by \$39,694,000 or 8.2%. The Company has deployed some of these funds into investments and continues to work on deploying these deposits into loans and investments.

The Bank's asset quality remains strong. Charge offs during the quarter were 00% of average loans outstanding compared to peer group of .06%. The level of classified loans is low at 11.8% of tier one capital.

Your Bank remains well capitalized with a tier one leverage capital ratio of 9.96%. The bank's risk based capital is even stronger, with tier one capital to risk-weighted assets at 17.11%, and total risk based capital to risk-weighted assets at 18.20%.

During the quarter, we implemented a new product called "Savings Made Simple" which allows customers to round up their purchases, putting the difference into their savings account. We are also continuing work on our project to develop the capability to open new deposit accounts online. These initiatives mark an exciting time in banking as we introduce new tools to deliver our products and services in a multi-channel format.

Our Executive Management Team continues to make daily decisions on how to deliver products and services and maintain safe operating conditions for our customers and employees during the pandemic. As we experience a resurgence in the disease, we may be forced to temporarily close lobbies or branches. We ask your continued patience as we navigate the impact of the COVID 19 virus.

We thank you, our shareholders, for your continued support. Stay healthy, during this challenging time for our nation.

Sincerely



J. Donald Steele, Jr.
Chairman



J. Todd Troxell
President

NORTHUMBERLAND BANCORP
245 Front Street, Northumberland, PA
For the Quarter Ending
September 30, 2020 and 2019
Amounts in thousands

STATEMENT OF CONDITION (Unaudited)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Due From Banks	\$ 7,020	\$ 5,659
Interest Bearing Balances with Banks	24,275	10,742
Investment Securities	167,657	132,080
Loans Held for Sale	2,401	1,089
Loans	364,250	369,473
Allowance for Loan Losses	<u>(3,700)</u>	<u>(3,393)</u>
Net Loans	360,550	366,080
Bank Premise and Equipment, Net	9,380	9,247
Accrued Interest Receivable	1,557	1,618
Other Assets	<u>17,192</u>	<u>17,260</u>
TOTAL ASSETS	\$ <u>590,032</u>	\$ <u>543,775</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest Bearing	\$ 118,016	\$ 93,570
Interest Bearing	<u>406,877</u>	<u>391,629</u>
Total Deposits	524,893	485,199
Short Term Borrowing	1,000	0
Long Term Borrowing	1,000	0
Accrued Interest Payable	110	145
Other Liabilities	<u>2,095</u>	<u>2,827</u>
TOTAL LIABILITIES	529,098	488,171
Stockholders' Equity		
Preferred Stock-2,000,000 Shares Authorized;		
None Outstanding		
Common Stock-Par Value \$0.10; 5,000,000 Authorized		
1,502,500 Issued		
	150	150
Surplus	3,832	3,832
Treasury Stock; 2020 - 174,642; 2019 - 174,642	(2,265)	(2,265)
Unrealized Gains (Loss) Available for Sale Securities	2,389	439
Comprehensive Income Adjustment	0	(722)
Minority Interest	(4)	(45)
Retained Earnings	<u>56,832</u>	<u>54,215</u>
TOTAL STOCKHOLDERS' EQUITY	60,934	55,604
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>590,032</u>	\$ <u>543,775</u>

NORTHUMBERLAND BANCORP
245 Front Street, Northumberland, PA
For the Quarter Ending
September 30, 2020 and 2019
Amounts in thousands, except per share data

STATEMENT OF INCOME (Unaudited)	Quarter Ended		9 Months Ended	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
INTEREST INCOME				
Interest and Fees on Loans				
Taxable	3,996	\$ 4,240	\$ 12,284	\$ 12,331
Tax Exempt	56	102	166	287
Interest on Investment Securities				
Taxable	405	543	1,228	1,662
Tax Exempt	190	194	539	595
Dividends	51	62	171	193
Interest on Interest Bearing Balances with Banks	6	42	31	142
TOTAL INTEREST INCOME	<u>4,704</u>	<u>5,183</u>	<u>14,419</u>	<u>15,210</u>
INTEREST EXPENSE				
Deposits	787	1,130	2,703	3,314
Other	5	2	40	9
TOTAL INTEREST EXPENSE	<u>792</u>	<u>1,132</u>	<u>2,743</u>	<u>3,323</u>
NET INTEREST INCOME	<u>3,912</u>	<u>4,051</u>	<u>11,676</u>	<u>11,887</u>
Loan Loss Provision	24	126	246	254
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	<u>3,888</u>	<u>3,925</u>	<u>11,430</u>	<u>11,633</u>
OTHER INCOME				
Change in Fair Value of Equity Securities	(15)	1	(81)	27
Gain (Loss) on Sale of Securities	33	30	60	58
Service Charges on Deposit Accounts	64	96	205	277
Gain (Loss) on Loans Held for Sale	667	193	1,305	423
Other Noninterest Income	664	553	1,709	1,477
Trust Department Income	254	219	684	640
TOTAL OTHER INCOME	<u>1,667</u>	<u>1,092</u>	<u>3,882</u>	<u>2,902</u>
OTHER EXPENSES				
Salaries and Benefits	2,208	2,104	6,639	6,338
Occupancy Expenses	465	428	1,317	1,295
Other	1,380	1,204	3,778	3,744
TOTAL OTHER EXPENSES	<u>4,053</u>	<u>3,736</u>	<u>11,734</u>	<u>11,377</u>
INCOME BEFORE INCOME TAXES	<u>1,502</u>	<u>1,281</u>	<u>3,578</u>	<u>3,158</u>
Income Taxes	255	196	579	450
NET INCOME	<u>\$ 1,247</u>	<u>\$ 1,085</u>	<u>\$ 2,999</u>	<u>\$ 2,708</u>
Earnings per share	<u>\$ 0.94</u>	<u>\$ 0.82</u>	<u>\$ 2.26</u>	<u>\$ 2.04</u>
Weighted Average Shares Outstanding	1,327,858	1,327,858	1,327,858	1,327,858