

# Northumberland Bancorp

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May 7, 2021

Dear Shareholder:

During the first quarter of 2021 The Company achieved new record levels of assets and income. This growth was the result of continued high liquidity in the overall banking system largely resulting from stimulus payments and other factors impacted by the pandemic. As an essential business, your Bank continued to participate in the PPP program helping many businesses in our market. Additionally, the low interest rate environment led to significant activity in the mortgage area which included strong gains on sales of mortgages in the secondary market.

The assets of Northumberland Bancorp, parent company of The Northumberland National Bank, reached \$630,986,000 as of March 31, 2021, compared to \$544,143,000 on March 31, 2020. Net loans, including loans held for sale, declined 2.76% over the past year to \$362,965,000 at March 31, 2021 compared to \$373,292,000 at the end of the first quarter of 2020. Reported earnings for the quarter ended March 31, 2021 were \$1,021,000, an increase of \$267,000 from the prior year. While the net interest margin declined to 2.83% from 3.26% in the prior year, record setting mortgage lending volumes driven by historically low interest rates generated the increase in earnings. The best indicator of this mortgage volume was the 56.7% growth in non-interest income during the quarter

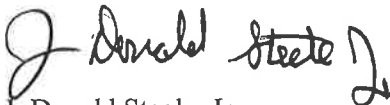
The Bank's asset quality remains strong. There were no loans charge-offs during the quarter. The level of classified loans is low at 10.6% of tier one capital.

Your Bank remains well capitalized with a tier one leverage capital ratio of 9.66%. The bank's risk based capital is even stronger, with tier one capital to risk-weighted assets at 16.87%, and total risk based capital to risk-weighted assets at 17.93%. The decline in the leverage ratio is due to the growth in the bank with a significant amount of the funds being held in overnight funds or low risk investments.

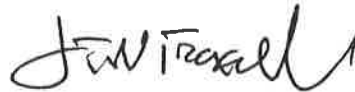
As our nation continues to emerge from the impact of the pandemic, we re-opened our lobbies during the first quarter. We continue to take the necessary steps to keep our customers and employees safe while we work as a nation toward herd immunity. As we stated in previous communications, the pandemic served to accelerate our plans to introduce new digital products and services to our Bank. We will have more to report on this in the future.

We thank you, our shareholders, for your continued support.

Very truly yours,



J. Donald Steele, Jr.  
Chairman



J. Todd Troxell  
President

**NORTHUMBERLAND BANCORP**  
**245 Front Street, Northumberland, PA**  
**For the Quarter Ending**  
**March 31, 2021 and 2020**  
**Amounts in thousands**

STATEMENT OF CONDITION (Unaudited)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Due From Banks	\$ 9,211	\$ 4,040
Interest Bearing Balances with Banks	27,059	15,134
Investment Securities	201,121	122,965
Loans Held for Sale	2,595	3,174
Loans	364,118	373,774
Allowance for Loan Losses	(3,748)	(3,656)
Net Loans	<u>360,370</u>	<u>370,118</u>
Bank Premise and Equipment, Net	9,309	9,565
Accrued Interest Receivable	1,611	1,412
Other Assets	19,710	17,735
<b>TOTAL ASSETS</b>	<u>\$ 630,986</u>	<u>\$ 544,143</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Non-interest Bearing	\$ 145,439	\$ 101,232
Interest Bearing	422,338	379,286
Total Deposits	<u>567,777</u>	<u>480,518</u>
Short Term Borrowing		2,500
Long Term Borrowing	1,000	1,000
Accrued Interest Payable	92	149
Other Liabilities	1,619	1,701
<b>TOTAL LIABILITIES</b>	<u>570,488</u>	<u>485,868</u>
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; 2021 - 190,642; 2020 - 174,642	(2,765)	(2,265)
Unrealized Gains (Loss) Available for Sale Securities	579	1,438
Comprehensive Income Adjustment	0	0
Minority Interest	11	(24)
Retained Earnings	<u>58,691</u>	<u>55,144</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>60,498</u>	<u>58,275</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 630,986</u>	<u>\$ 544,143</u>

**NORTHUMBERLAND BANCORP**  
**245 Front Street, Northumberland, PA**  
**For the Quarter Ending**  
**March 31, 2021 and 2020**  
**Amounts in thousands, except for per share data**

STATEMENT OF INCOME (Unaudited)	Quarter Ended	
	<u>2021</u>	<u>2020</u>
<b>INTEREST INCOME</b>		
Interest and Fees on Loans		
Taxable	3,805	\$ 4,251
Tax Exempt	52	55
Interest on Investment Securities		
Taxable	458	438
Tax Exempt	194	173
Dividends	43	65
Interest on Interest Bearing Balances with Banks	6	20
<b>TOTAL INTEREST INCOME</b>	<u>4,558</u>	<u>5,002</u>
<b>INTEREST EXPENSE</b>		
Deposits	660	1,013
Other	5	21
<b>TOTAL INTEREST EXPENSE</b>	<u>665</u>	<u>1,034</u>
<b>NET INTEREST INCOME</b>	<u>3,893</u>	<u>3,968</u>
Loan Loss Provision	25	170
<b>NET INTEREST INCOME AFTER LOAN LOSS PROVISION</b>	<u>3,868</u>	<u>3,798</u>
<b>OTHER INCOME</b>		
Change in Fair Value of Equity Securities	9	(70)
Gain (Loss) on Sale of Securities	70	3
Service Charges on Deposit Accounts	64	88
Gain (Loss) on Loans Held for Sale	505	211
Other Noninterest Income	665	528
Trust Department Income	235	228
<b>TOTAL OTHER INCOME</b>	<u>1,548</u>	<u>988</u>
<b>OTHER EXPENSES</b>		
Salaries and Benefits	2,352	2,272
Occupancy Expenses	502	426
Other	1,349	1,206
<b>TOTAL OTHER EXPENSES</b>	<u>4,203</u>	<u>3,904</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>1,213</u>	<u>882</u>
Income Taxes	192	128
<b>NET INCOME</b>	<u>\$ 1,021</u>	<u>\$ 754</u>
Earnings per share	<u>\$ 0.77</u>	<u>\$ 0.57</u>
Weighted Average Shares Outstanding	1,323,058	1,327,858