

Northumberland Bancorp

245 Front Street • P.O. Box 271 • Northumberland, PA 17857
(570) 473-3531 Fax (570) 473-9697

May 31, 2019

Dear Shareholder:

Your Company continued to grow during the first quarter of 2019. The consolidated assets of Northumberland Bancorp, parent company of The Northumberland National Bank, reached \$533,713,000 as of March 31, 2019, compared to \$514,355,000 on March 31, 2018. Net loans, including loans held for sale, grew 8.22% over the past year to \$352,688,000 at March 31, 2019 compared to \$325,903,000 at the end of the first quarter of 2018. This growth was split between commercial and residential real estate loans. Funding this growth was an increase in deposits of 3.17% over the past twelve months to \$477,810,000 at March 31, 2019, from \$463,116,000 at March 31, 2018. The balance of the growth in loans was funded by a decrease in Investment Securities.

Reported earnings for your Company for the quarter ended March 31, 2019 was \$856,000, an increase of \$232,000 or 37.2% from the prior year. Net interest income increased \$338,000 from the first quarter of 2018. The net interest margin grew to 3.32% from 3.16% in the prior year. Due to the loan growth the bank provided an increase in its Allowance for Loan Losses of \$45,000. Non-interest income increased \$52,000 or 6.2%. The increase was spread among various components of non-interest income. Non-interest expense increased \$89,000, largely resulting from additional staffing needed as your bank continues to grow.

The Bank's asset quality remains strong. Net charge offs during the quarter were only .002% of average loans outstanding. The level of classified loans is low at 10.6% of tier one capital.

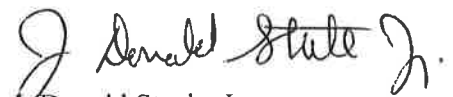
Your Bank remains well capitalized with a tier one leverage capital ratio of 10.25%. The bank's risk based capital is even stronger, with tier one capital to risk-weighted assets at 16.85%, and total risk based capital to risk-weighted assets at 17.84%.

We are excited to note our continued additions to our electronic banking offerings. In January, we introduced Zelle, a person to person payment product. Also in the first quarter, we introduced Business Bill Pay which allows businesses to utilize a service that up to this point had only been available for consumer accounts. Over the balance of 2019, we will be replacing our ATMs with updated machines that provide for non-envelope deposits and automated imaging of the associated documents. They will also be equipped with additional capabilities that we may introduce over time.

We remain focused on our growth plan designed to increase our profitability. In addition to introducing new products and services, we are engaged in an exciting effort to provide additional training and development opportunities for our professional staff. This will provide them with the tools to be able to deliver an even better customer experience in the future.

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

Very truly yours,



J. Donald Steele, Jr.
Chairman & President

NORTHUMBERLAND BANCORP
245 Front Street, Northumberland, PA
For the Quarter Ending
March 31, 2019 and 2018
Amounts in thousands

STATEMENT OF CONDITION (Unaudited)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Due From Banks	\$ 5,586	\$ 6,705
Interest Bearing Balances with Banks	11,327	6,988
Investment Securities	135,148	145,451
Loans Held for Sale	929	152
Loans	354,962	328,688
Allowance for Loan Losses	(3,203)	(2,937)
Net Loans	<u>351,759</u>	<u>325,751</u>
Bank Premise and Equipment, Net	9,436	9,271
Accrued Interest Receivable	1,670	1,550
Other Assets	17,858	18,487
TOTAL ASSETS	\$ <u>533,713</u>	\$ <u>514,355</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest Bearing	\$ 95,883	\$ 84,096
Interest Bearing	<u>381,927</u>	<u>379,020</u>
Total Deposits	477,810	463,116
Short Term Borrowing	0	0
Long Term Borrowing	0	0
Accrued Interest Payable	145	122
Other Liabilities	<u>2,541</u>	<u>2,789</u>
TOTAL LIABILITIES	480,496	466,027
Stockholders' Equity		
Preferred Stock-2,000,000 Shares Authorized; None Outstanding		
Common Stock-Par Value \$.10; 5,000,000 Authorized 1,502,500 Issued		
	150	150
Surplus	3,832	3,832
Treasury Stock; 2019 - 174,642; 2018 - 174,142	(2,265)	(2,248)
Unrealized Gains (Loss) Available for Sale Securities	(636)	(1,926)
Comprehensive Income Adjustment	(722)	(2,156)
Minority Interest	(49)	(52)
Retained Earnings	<u>52,907</u>	<u>50,728</u>
TOTAL STOCKHOLDERS' EQUITY	53,217	48,328
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>533,713</u>	\$ <u>514,355</u>

NORTHUMBERLAND BANCORP
245 Front Street, Northumberland, PA
For the Quarter Ending
March 31, 2019 and 2018
Amounts in thousands, except for per share data

STATEMENT OF INCOME (Unaudited)	Quarter Ended	
	<u>2019</u>	<u>2018</u>
INTEREST INCOME		
Interest and Fees on Loans		
Taxable	\$ 4,003	\$ 3,531
Tax Exempt	88	61
 Interest on Investment Securities		
Taxable	575	498
Tax Exempt	207	222
Dividends	64	62
Interest on Interest Bearing Balances with Banks	43	33
TOTAL INTEREST INCOME	<u>4,980</u>	<u>4,407</u>
 INTEREST EXPENSE		
Deposits	1,070	836
Other	5	4
TOTAL INTEREST EXPENSE	<u>1,075</u>	<u>840</u>
NET INTEREST INCOME	<u>3,905</u>	<u>3,567</u>
Loan Loss Provision	45	35
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	<u>3,860</u>	<u>3,532</u>
 OTHER INCOME		
Change in Fair Value of Equity Securities	4	(11)
Gain (Loss) on Sale of Securities	6	(1)
Service Charges on Deposit Accounts	87	91
Gain (Loss) on Loans Held for Sale	137	124
Other Noninterest Income	463	449
Trust Department Income	191	184
TOTAL OTHER INCOME	<u>888</u>	<u>836</u>
 OTHER EXPENSES		
Salaries and Benefits	2,110	2,012
Occupancy Expenses	443	451
Other	1,202	1,203
TOTAL OTHER EXPENSES	<u>3,755</u>	<u>3,666</u>
 INCOME BEFORE INCOME TAXES	 993	 702
Income Taxes	137	78
 NET INCOME	 <u>\$ 856</u>	 <u>\$ 624</u>
 Earnings per share	 <u>\$ 0.64</u>	 <u>\$ 0.47</u>
 Weighted Average Shares Outstanding	 1,327,858	 1,328,358