

# Northumberland Bancorp

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

December 08, 2023

Dear Shareholders

I am pleased to present the nine-month year to date financial results and balance sheet condition of Northumberland Bancorp, Inc. including its wholly owned subsidiary, The Northumberland National Bank through September 30, 2023. As mentioned previously, the banking sector continues to be challenged by the actions of the Federal Reserve raising interest rates significantly over a short period of time. On a liability sensitive balance sheet, this has caused loan yield increases to dramatically lag higher rates we must now pay on deposits and funding sources. The result is continued margin compression reducing net interest income. This compression will remain evident until the asset side (loans and investments) gains traction and a more normalized margin develops. This is at a time when we continue to incur anticipated one-time expenses related to a major software conversion during 2023.

Moving on, I offer you the following highlights for the nine-month period of 2023 compared to the same period of 2022.

- Net income is reported at \$1,158,000 compared to \$2,231,000 for the same period of 2022.
- Total assets stood at \$669 million compared to \$695 million.
- Total deposits declined by 7.5% from \$640 million to \$591 million.
- Total loans increased 1.2% climbing from \$418 million to \$423 million.
- Trust Department revenue increased 15.7%.
- Income from "Gain on Sale of Loans" continues to struggle in the high-rate environment.
- Total interest income increased over 24% from \$15.3 million in 2022 to \$19 million in 2023.
- Total interest expense increased over 201% from \$2.3 million in 2022 to \$6.98 million in 2023.

The last two bullet points certainly tell a great deal of the story and are the same trends being experienced by the local competition and banking sector as a whole.

Regardless, your company remains in a strong capitalized position. As of September 30, 2023, tier one leverage, total risk-based capital (RBC), and tier one RBC ratios were 9.48%, 17.71%, and 16.61%, respectively. We remain a well-capitalized bank by all regulatory definitions and industry comparisons. I am pleased to announce your Board of Directors has approved a dividend of \$.23 per share for shareholders of record on December 08, 2023.

As I leave you, I feel confident and very fortunate to work with a great team of dedicated people. I now have a great senior management team and a great group of energetic and bright staff at all levels. Our people make this independent community bank a "bank of choice" for the individuals, businesses, and communities we serve. From all of us to all of you, we thank you for your continued support and investment.

Sincerely,



J. Todd Troxell  
President and CEO

**NORTHUMBERLAND BANCORP**  
**245 Front Street, Northumberland, PA**  
**September 30, 2023 and 2022**  
**(Dollars in thousands)**

Balance Sheets (Unaudited)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and Due From Banks	\$ 12,159	\$ 13,194
Interest Bearing Balances with Banks	5,875	7,681
Investment Securities	191,699	221,358
Loans Held for Sale	509	1,116
Loans	423,146	418,061
Allowance for Loan Losses	(4,037)	(3,682)
Net Loans	<u>419,109</u>	<u>414,379</u>
Bank Premise and Equipment, Net	8,624	8,794
Accrued Interest Receivable	2,273	1,944
Other Assets	28,812	27,460
<b>TOTAL ASSETS</b>	<u>\$ 669,060</u>	<u>\$ 695,926</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposits:		
Non-interest Bearing	139,404	155,357
Interest Bearing	452,079	484,692
Total Deposits	<u>591,483</u>	<u>640,049</u>
Short Term Borrowing	-	-
Long Term Borrowing	22,000	2,000
Subordinated Debt	10,000	10,000
Subordinated Debt - Unamortized Costs	(155)	(175)
Net Subordinated Debt	<u>9,845</u>	<u>9,825</u>
Accrued Interest Payable	330	73
Other Liabilities	3,004	2,614
<b>TOTAL LIABILITIES</b>	<u>\$ 626,662</u>	<u>\$ 654,561</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; 2023 - 190,642; 2022 - 190,642	(2,765)	(2,765)
Unrealized (Losses) Gains Available for Sale Securities	(21,110)	(20,750)
Comprehensive Income Adjustment	-	-
Minority Interest	-	-
Unearned ESOP Shares	(837)	(1,458)
Retained Earnings	<u>63,128</u>	<u>62,356</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>42,398</u>	<u>41,365</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 669,060</u>	<u>\$ 695,926</u>

**For 9 Months Ended 6/30/23**  
**September 30, 2023 and 2022**  
**Amounts in Thousands, except per share data**

STATEMENT OF INCOME (Unaudited)	9 Months Ended	
	<u>2023</u>	<u>2022</u>
<b>INTEREST INCOME</b>		
Interest and Fees on Loans		
Taxable	14,304	\$ 12,280
Tax Exempt	319	295
 Interest on Investment Securities		
Taxable	3,265	1,918
Tax Exempt	422	605
Dividends	383	116
Interest on Interest Bearing Balances with Banks	386	95
<b>TOTAL INTEREST INCOME</b>	<u>\$ 19,079</u>	<u>15,309</u>
 <b>INTEREST EXPENSE</b>		
Deposits	6,001	1,901
Other	982	417
<b>TOTAL INTEREST EXPENSE</b>	<u>6,983</u>	<u>2,318</u>
<b>NET INTEREST INCOME</b>	<u>12,096</u>	<u>12,991</u>
Loan Loss Provision	(70)	200
<b>NET INTEREST INCOME AFTER LOAN LOSS PROVISION</b>	<u>\$ 12,166</u>	<u>12,791</u>
 <b>OTHER INCOME</b>		
Change in Fair Value of Equity Securities	(5)	(54)
Gain (Loss) on Sale of Securities	(316)	(35)
Service Charges on Deposit Accounts	287	278
Gain (Loss) on Loans Held for Sale	121	191
Other Noninterest Income	1,782	1,863
Trust Department Income	869	751
<b>TOTAL OTHER INCOME</b>	<u>\$ 2,738</u>	<u>2,994</u>
 <b>OTHER EXPENSES</b>		
Salaries and Benefits	7,939	7,750
Occupancy Expenses	1,640	1,426
Other	4,082	3,934
<b>TOTAL OTHER EXPENSES</b>	<u>\$ 13,661</u>	<u>13,110</u>
 <b>INCOME BEFORE INCOME TAXES</b>	 1,243	 2,675
Income Taxes	85	444
<b>NET INCOME</b>	<u>\$ 1,158</u>	<u>\$ 2,231</u>
 Earnings per share	 <u>\$ 0.88</u>	 <u>\$ 1.70</u>
 Weighted Average Shares Outstanding	 1,311,858	 1,311,858