

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Citizens & Northern Corporation

Person to be contacted regarding this report:	Mark Hughes	RSSD: (For Bank Holding Companies)	1143623
UST Sequence Number:	419	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	26,440,000	FDIC Certificate Number: (For Depository Institutions)	07799
CPP/CDCI Funds Repaid to Date:	26,440,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	N/A	City:	Wellsboro
Date Repaid ¹ :	Aug 4, 2010	State:	Pennsylvania

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	TARP funding was important to us in 2009. By 12/31/09, we had issued common equity and spent the first several months of 2010 working with banking regulators to obtain permission to redeem the TARP capital.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

In 2009, prior to issuing common stock in the 4th quarter, excluding TARP our consolidated total risk-based capital ratio would have been just above the minimum level to be considered well-capitalized, and Citizens & Northern Bank's total risk-based capital ratio would have fallen to the "adequately capitalized" category. If Citizens & Northern Bank had fallen to less than well-capitalized, our FDIC premiums would have increased, which would have affected 2010 operating results, and we may have been unsuccessful in raising capital in late 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

In the 4th quarter 2009, Citizens & Northern issued common stock in a public offering, raising approximately \$21.4 million, net of offering costs. We may not have been in a position to successfully raise the common equity if we had not taken the TARP capital infusion in January 2009. After the common equity offering, we were in a much stronger financial position, which (combined with good operating results in the 4th quarter 2009 and first 2 quarters of 2010) led to our ability to redeem 100% of the TARP preferred stock in August 2010.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.