
GNB FINANCIAL SERVICES

September 30, 2020

Dear Fellow Shareholders:

On August 12, 2020, the Board of Directors of GNB Financial Services, Inc., (“GNB”) declared a third quarter cash dividend of \$0.30 per share of common stock, to shareholders of record as of September 16, 2020, and payable September 30, 2020. Your check representing your dividend is enclosed.

The COVID-19 virus continues to wreak havoc on the national economy, disrupt life as we knew it, and cause anxiety among people throughout the world. This has been a life-changing event causing all of us to adopt a new normal and revise our behavior. This has been devastating for many people and is something that I never dreamed of, even in my worst nightmares.

The effects on The Gratz Bank (“Gratz Bank”) have been mixed. From a financial standpoint, consolidated net income at the end of the second quarter of 2020 is approximately \$2,546,000, which compares favorably to net income of \$2,265,000, as of June 30, 2019. This represents an increase of 12.41% year over year, which is impressive given the times in which we are living. GNB hit another milestone when total assets grew to more than \$410 million as of June 30, 2020. This growth was fueled primarily by an increase in deposits, which have grown by more than \$53 million since June 30, 2019.

However, like many institutions in rural areas, GNB faces various pressures. Total loans have decreased as compared to June 30, 2019. Historically low interest rates have resulted in customers opting for longer-term fixed rate mortgage loans. Management believes that holding these loans in the bank’s portfolio is not a reasonable long-term strategy in the current interest rate environment. When interest rates eventually do begin to rise, interest income on these loans will not have a corresponding increase as the interest rate on the loans is fixed. Loans are funded by deposits and today’s savers tend to be opting for liquid accounts with variable interest rates or short-term certificates of deposit. Conversely, when interest rates rise, banks will have to increase the rates they are paying on these deposits in order to retain them, causing the bank’s cost of funds to increase. Management of the interest rate margin (i.e., the difference between the rate we pay for deposits against the rate we receive on loans) continues to be our primary focus. Management, with oversight and guidance from the directorate, are exploring options to manage this margin pressure, with a goal of originating high quality loans with interest rates fixed for a shorter period of time.

Further, in light of the pandemic, more and more customers are now choosing mobile or online banking for their financial needs. Bank management has met with IT experts and have engaged in a dialogue as to the best use of assets in order to select the best IT products. Balancing the cost of implementing these services against the benefits they provide is challenging.

Finally, like many rural institutions, succession planning and the development of additional depth among the management team continues to be a focus of the Board. The Board continues to explore strategies for adding talent to the team.

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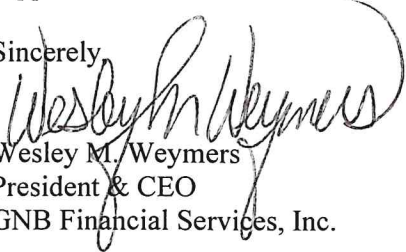
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These are new and unprecedented times which are testing management's ability to adapt, lead, and manage under extraordinary circumstances. Enhancing shareholder value remains the number one goal for GNB's management team and directorate.

As a final note, corporate management and the directorate have spent a great deal of time and discussion evaluating trends associated with the price of GNB stock. The initial decline in our stock price several months ago was directly due to the impact of the coronavirus. All financial markets saw historic decreases in the value of stock, and GNB was not an exception. The price eventually bounced back, but management and the directorate are aware that recent trades have been well below book value. Historically, GNB common stock has traded at or slightly above book, so these transactions have been somewhat unusual. While GNB stock has always been lightly traded and a few sales do not necessarily set a market price, the board is monitoring these transactions and working with management to consider strategies intended to provide support for our stock price.

On behalf of our Board of Directors, management team, and staff, we express our thanks for your continued support and confidence. Please feel free to stop in anytime and say hello or call me at 717-508-4300.

Sincerely,



Wesley M. Weymers
President & CEO
GNB Financial Services, Inc.