

2022 YEAR IN REVIEW

BUILDING BETTER COMMUNITIES

The background features a large digital screen displaying various stock market indices and individual stock performance. The screen is divided into several sections, each showing a different index or stock with its corresponding logo, percentage change, and price.

Index/Stock	Change (%)	Price
NASDAQ100	▼ 0.69%	-83.61 12,014.83
DJI	▼ 0.56%	-176.51 31,141.93
S&P 500 INDEX	▼ 0.40%	-15.79 3,908.47
PEPSICO	▼ 0.61%	-1.04 \$169.62
AAPL	▼ 0.95%	-1.48 \$154.33
SBUX	▲ 1.56%	+1.28 \$84.23
amazon	▼ 1.07%	-1.37 \$126.14
PayPal	▲ 0.46%	+0.42
BROADCOM	▼ 0.06%	-0.32 \$499.90
CISCO		


The podium in the foreground has the Nasdaq logo and the text "CZFS NasdaqListed".

CITIZENS
FINANCIAL SERVICES
INCORPORATED

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**“It’s our moral obligation
to make sure we leave
this earth a better
place and practice
faithful stewardship.”**

A Letter from Vice Chair, CEO, and President Randall E. Black

Message to our fellow shareholders, our customers, my teammates and friends,

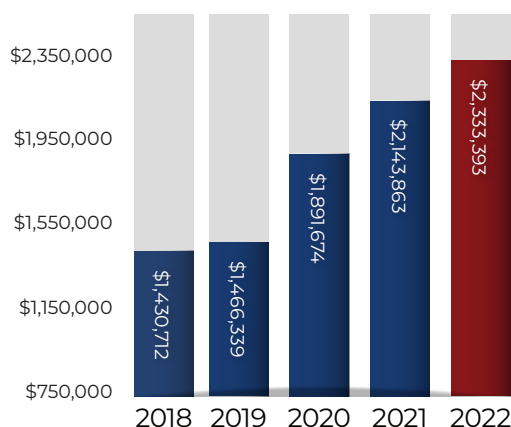
Every day and year, I’m honored and humbled to be part of this great company and have the distinct privilege of sharing our year in review with you.

As you will read, 2022 was a remarkable year for our company. You will see, once again, that our company fulfilled its mission of making financial lives better and did so in a way that benefited customers, teammates, shareholders, and our communities - all against a backdrop of national economic uncertainty.

With that in mind, I begin this report by reminding all of us that we must do our part in being good stewards. I approach every day thankful for the opportunities our forefathers have given us, whether it’s our land that provides our food to feed the world, or our ability to provide a way of life for our families. None of this would be possible without the practice of good stewardship by those that have come before us. It’s our moral obligation to make sure we leave this earth in a better place and practice faithful stewardship.

Total Assets

(DOLLARS IN THOUSANDS)



For the last 29-plus years here at Citizens Financial Services, Inc. (CZFS) and its wholly-owned subsidiary First Citizens Community Bank (FCCB), I have had the benefit of experiencing great stewardship practiced by our former leaders of this great institution. It's because of their leadership that our institution has been in existence for over 150 years, and it's been an honor to carry that legacy forward for the last 19 years.

As you may know, 2022 marked the 150th anniversary of our organization, which traces its roots back to 1872. Established by Andrew Ross and Philip Williams as the first bank in Mansfield, PA, we've grown to the bank we are today, covering three states and 14 counties in Pennsylvania, Delaware, and New York. An organization that makes the 150th year mark or beyond is a true testament to the culture and consistent value system of the organization, which in our case, starts and ends with our FCCB Team members. Our philosophy is simple - putting our customers and communities first and doing the right thing allows us to provide positive returns year in and year out for our shareholders, who, throughout most of these last 150 years, are our customers. What is remarkable about FCCB is that our longevity has allowed us to play an essential role in both our customers' and their families financial health for multiple generations.

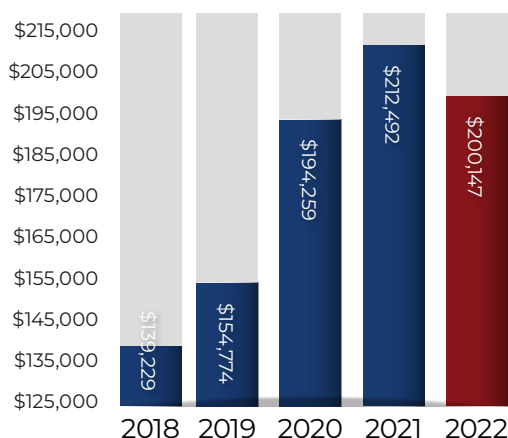
This is also evident when you look at our shareholder profile and see third, fourth, and fifth-generation ownership!

Looking back on the last year and nearly the past two decades - starting from my time as CEO & President in 2004 - our financial discipline, focus on sustainable growth objectives, investment in innovation, and ongoing focus and development of our people is what has enabled us to persevere in our steadfast dedication to make sure we are there for our customers and communities. But in the end, it is our focus on ensuring we are doing our part, as stewards like our forefathers before us, to continue to create sustainable returns and maintain our reputation as a multi-generational investment for past, present, and future shareholders.

The world has been forever impacted by the events of the last three years. We have faced challenges at every turn: a pandemic, unprecedented government actions, a strong

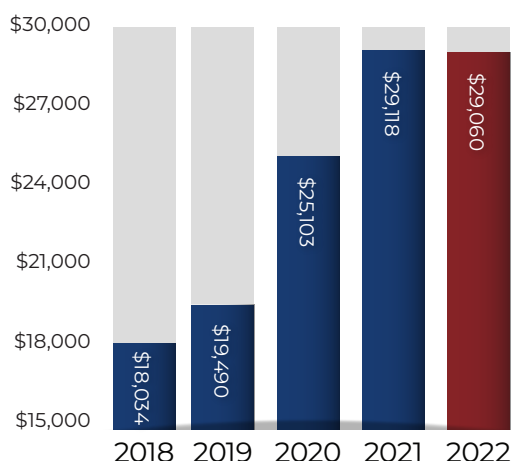
Stockholders' Equity

(DOLLARS IN THOUSANDS)



Net Income

(DOLLARS IN THOUSANDS)



recovery after a sharp and deep global recession, an unstable political climate, mounting inflation, and a war in Ukraine, to name a few. Yet, while all this turmoil has impacted our everyday lives and our company, the effect it had on the world is far more important.

A lot can happen in a year! We started 2022 after three full years of no rate increases from the Federal Reserve, low savings account rates, and barely reaching half a percent annual percentage yield. And then mounting inflation reached unprecedented levels during 2022.

In response to inflationary economic conditions, the Federal Reserve increased the federal funds rate seven times throughout the year, including an unprecedented four 75 basis point increases from June through November. The federal funds rate went from a target of .00% to .25% at the beginning of the year to 4.25% to 4.50% by the end of 2022, with the market anticipating additional increases in the first part of 2023.

A rapid increase in rates can be a blessing and a curse. As rates rise, short-term investments, adjustable rate loans, and lines of credit reprice, along with new loans and investments being booked at higher yields. However, with rising rates, customers expect a higher rate on their deposits, and external funding costs increase. Our ability to manage these events to ensure our company continues to provide above-average performance year-over-year.

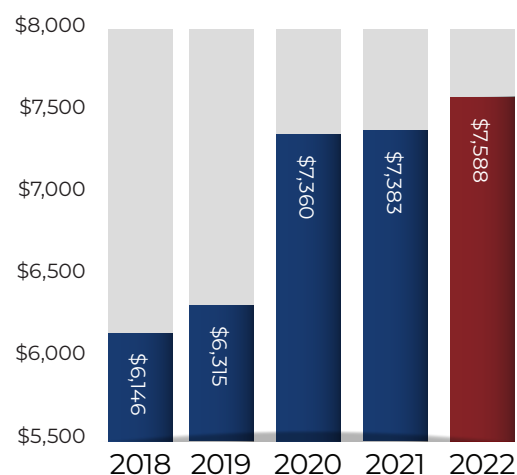
By virtually any measure, 2022 was a successful year for our company and you, our shareholders. CZFS posted one of its best years on record, especially when considering the one-time unusual income items from 2021 in the form of Payroll Protection Program (PPP) fees and one-time Bank Owned Life Insurance proceeds and adjustments, totaling \$2.8 million net of tax. Below are our highlighted financial achievements for the twelve months ended December 31, 2022:

- » Net interest income ended the year at \$70.5 million compared to \$64.6 million at December 31, 2021, representing a 9% increase year-over-year. Driving the increase was a 13.8% increase in interest income resulting from record loan growth for 2022.

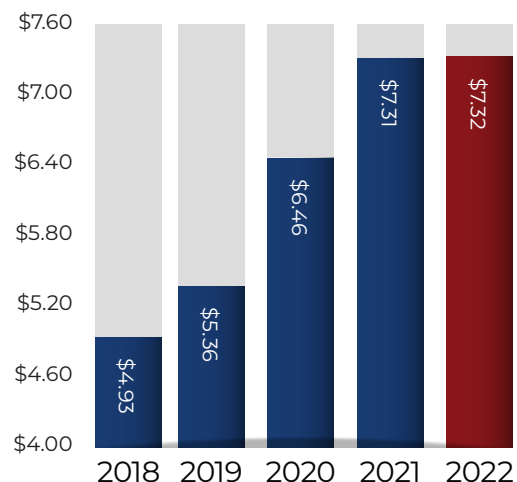


Cash Dividends Paid

(DOLLARS IN THOUSANDS)



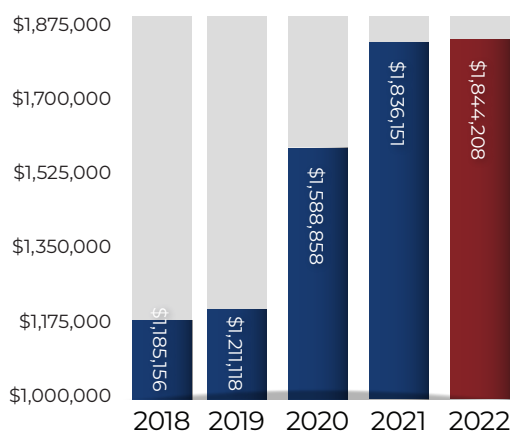
Earnings Per Share - Diluted





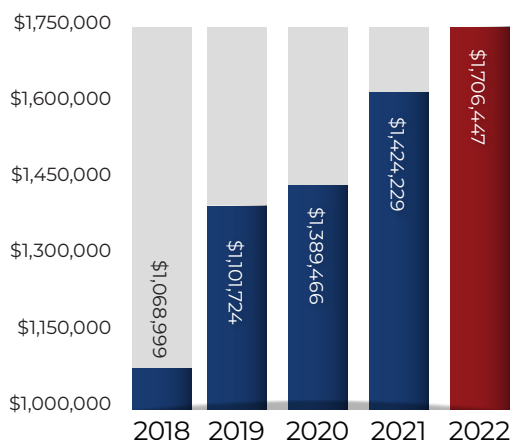
Deposits

(DOLLARS IN THOUSANDS)



Net Loans

(DOLLARS IN THOUSANDS)



- » Net Income of \$29.1 million compared to \$26.3 million adjusted for the PPP fees and life insurance proceeds (Non-GAAP) and \$29.1 million reported for the year ended December 31, 2021.
- » Earnings Per Share of \$7.32 versus \$6.61, adjusted for the PPP fees and life insurance proceeds (Non-GAAP) and \$7.31 reported for the year ended December 31, 2021.
- » Return on Average Assets remained strong at 1.29% compared to 1.32% adjusted for the PPP fees and life insurance proceeds (Non-GAAP) and 1.45% reported.
- » Return on Average Equity came in solid at 12.98% compared to 12.90% adjusted for the PPP fees and life insurance proceeds (Non-GAAP) and 14.26% reported.
- » Return on Average Tangible Common Equity was 15.20% compared to 15.38% adjusted for the PPP fees and life insurance proceeds (Non-GAAP) and 17.01% reported for year ended December 31, 2021.
- » Dividends paid were \$1.90 compared to \$1.84 for year ended December 31, 2021 adjusted for the 1% stock dividend paid in June 2022. The Company declared a 1% stock dividend in the second quarter of both 2022 and 2021.
- » Net Loans grew 19.8% to \$1.7 billion, representing tremendous organic growth throughout our market, with a significant amount coming from our Delaware market area.
- » Credit quality continued to improve, as evidenced by our ratio of non-performing assets to total loans of .43%, which represents a decrease of 29% from .61% at December 31, 2021.
- » Annualized net charge-offs to total loans was .03%, compared to .00% for the year ended December 31, 2021, continuing our historically low charge-offs compared to our peers.
- » Deposits remained flat year over year.
- » Record Assets of \$2.3 billion, representing 8.8% growth compared to \$2.1 billion last year.

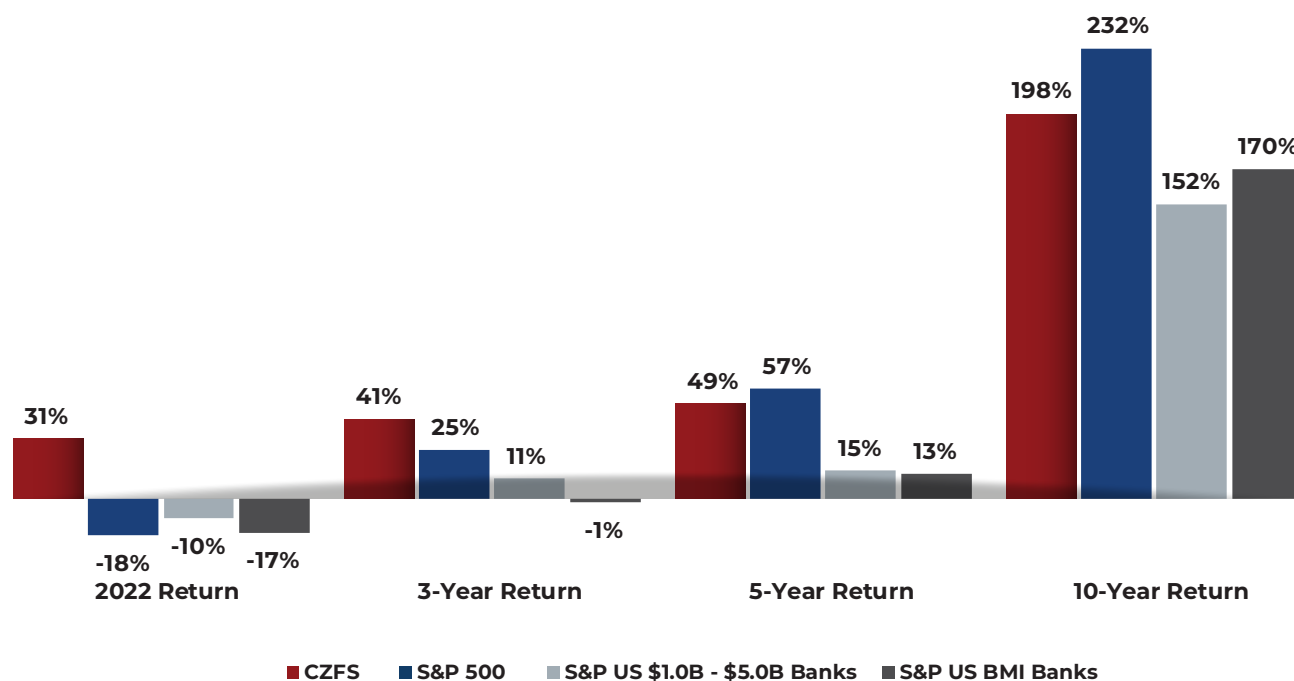
As you can see, we accomplished many financial milestones in 2022. However, the two most noteworthy were our 13.9% increase in revenue and our 19.8% organic loan growth, which occurred across all our markets. I am pleased to report that the Fintech partnership we entered into last year has been positive, with the results contributing to our 2022 loan growth and earnings stream. This loan growth drove our company to one of the best years on record from a core earnings perspective, as we successfully integrated our Delaware market and continued to expand our presence across our markets.

Another significant milestone that should be noted is that since December 31, 2019, we have grown the corporation's total assets by 59%. Since December 31, 2015, we have grown 100%, doubling our total assets! This represents an annualized growth rate of over 16% and 10% over the last three and seven years, respectively! This is a testament to our ability to balance profitability and growth as we invest in our future.

For the year, our stock price increased 31%, outpacing the S&P 500, the S&P US \$1B - \$5B bank index, and S&P US BMI Banks, as illustrated in the graph below. Our philosophy has never been to run the company based on our stock price in the short term, rather we measure our success and progress over long-term performance. As you can also see in the chart below, we outperformed our peers on a total return basis for the 1, 3, 5, and 10-year periods, which not only includes stock price appreciation but factors in our consistent year-over-year dividend payout.

CZFS Historical Total Return

CZFS Total Return vs. Select Market Indices Total Return



Note: S&P US \$1.0B \$5.0B Banks index is made up of 97 NYSE & NASDAQ traded banks that have between \$1.0B – \$5.0B in total assets
 Note: S&P US BMI Index is made up of 271 NYSE & NASDAQ traded banks
 Note: Market data as of December 30, 2022
 Source: S&P Capital IQ Pro

One may ask how CZFS stock can increase 31% based on the economic climate while the other indices are flat or down. Well, as stated earlier, 2022 was a very special year for our company and one that I will forever cherish and remember. On June 3, 2022, CZFS up-listed and started trading on the Nasdaq Capital Market exchange. Being on Nasdaq represents a significant milestone that builds on our demonstrated growth while increasing the overall profile and improved liquidity of our stock. This provides our company better access to capital and improved means to use our stock as acquisition considerations present themselves, ultimately enhancing long-term shareholder value.

And to top it all off, I had the great honor on September 6, 2022, to take our Board of Directors, the senior management team, and others to Times Square, New York City, to ring the closing bell. What a tremendous opportunity and experience - one I never will forget. Thank you all for allowing me the opportunity to represent our company in front of the world!

Our financial results and shareholder returns are a direct result of staying committed to our long-term strategic plan. In addition, we recognize the company's pathway for success lies in sustainable growth and development for future generations. Our strategy offers a framework to ensure we do our part to generate economic growth, achieve social justice, exercise environmental stewardship, and strengthen governance.



CZFS RINGS THE CLOSING BELL AT NASDAQ

On September 6, 2022, members of Citizens Financial Services, Inc. (CZFS) Corporate Board and Management Team celebrate at the Nasdaq closing bell ceremony in Times Square.

A man in a dark suit and tie stands on a city street, pointing his right hand towards a large blue Nasdaq sign on a building. The sign also features the text "CITIZEN'S FINANCIAL SERVICES INCORPORATED" and "Nasdaq". The background shows a busy city street with cars and other buildings.

**“We believe these goals
provide the focus to
continue our growth
& expansion efforts...”**

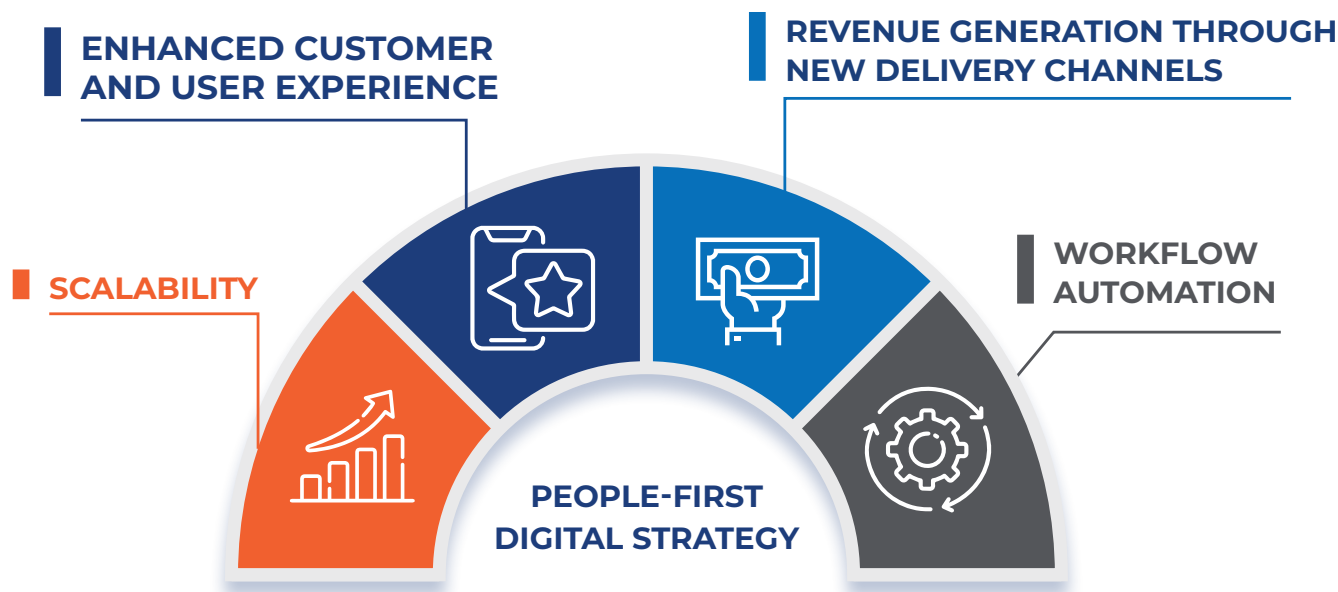
This strategy is a dynamic process that keeps us focused; it recognizes the changing needs and expectations of our society, neighbors, team members, customers, and communities. Our five strategic goals reflect our desire to continue as a strong-performing, community-minded bank:

- » Continued Growth and Expansion
- » Continued Integration for Maximum Customer Opportunities
- » Exceptional and Consistent Customer Service Experience
- » Organizational Alignment for Employee Engagement
- » Continuation of a Legacy Investment

We believe these goals provide the focus to continue our growth and expansion efforts, meeting customer needs, providing employee development, and building our legacy bank to benefit our shareholders, communities, customers, and employees. Our strategy must be transformational as we focus on our rapid growth and expansion. We must maintain our emphasis on delivering consistent, exceptional customer service across a more complex organization.

During 2022, using our strategic plan as our digital road map, we embarked on many initiatives based upon one or more of the five goals set forth within our plan, as evidenced by some of the following actions and investments:

- » We successfully opened two new branches in 2022, bringing our FCCB customer and community banking model to the towns of Ephrata, PA, and Greenville, DE, growing our number of branches to 33, covering three states. We are excited to be a part of these two communities.
- » In December 2022, we received regulatory approval to move forward with our 34th branch in Williamsport, PA. Over the last twelve months, we have continued to build out our markets, and as such, we have been able to attract some key team players to FCCB that reside within that market area. We see tremendous upside, based upon the valuable input and contributions these individuals have made to date.



- » A significant part of our strategic plan is our focus on providing an exceptional and consistent customer service experience, and, as such, new this year was a creation of our formal FCCB digital strategy. Our banking philosophy is to create meaningful experiences that build value and loyalty. Our digital strategy complements this approach, allowing customers to be served as they wish. We are excited about the future opportunities that will come from our investments in new products, services, and delivery channels.
- » Our ongoing commitment to technology is as strong as ever, whether it is our continued partnerships with third-party Fintech companies as completed in 2022, or this year's commitment to providing advanced management reporting software to our team. The expectation is the same - enhance the customer and employee experience and improve overall efficiency.
- » We always make sure our number one asset, our teammates, are taken care of. Last year we rolled out an enhanced employee benefits package focused on providing additional flexibility while enhancing other benefits. This year we continued to make sure in times of high inflation and fuel prices that we did what we could by providing gas stipends to those who travel, along with additional monetary and flex benefits. It's all a part of our ongoing process to make sure we are doing what we can for our team members.
- » And finally, we announced the acquisition of Huntingdon Valley Bancorp (HVB), Doylestown, PA, with assets of \$570 million as of June 30, 2022, which is expected to close in June 2023.

Our banking philosophy is to create meaningful experiences that build value and loyalty. Our digital strategy complements this approach, allowing customers to be served as they wish.

WHY HUNTINGDON?

A significant part of our fiduciary responsibility is to continually evaluate opportunities, both internally and externally, that will increase shareholder value without changing the company's overall risk profile. Growth is a key contributor to consistently adding value for our shareholders and company, as our past experiences have proven. There are three primary ways a company can grow, organically within current markets, through a well-executed digital strategy, or through market expansion, by means of de novo branches or (as in our case with HVB) through merger and acquisition (M&A).

This opportunity didn't just happen; it was well thought out and part of our overall strategic discussion during our annual planning process. When we evaluate all the growth opportunities, many things come into play, like the franchise strength and value, a robust and healthy market with economic growth, geographic characteristics, technology strength, leadership talent and skill sets, and balance sheet composition.

HVB checked all the boxes! The leadership team, employees, and board of directors of HVB have created a great franchise in a robust, attractive market enriched with opportunities. With their headquarters being in Doylestown, PA, Bucks County, and a business banking center and branch location in central and south Philadelphia, PA, just 32 miles from our Wilmington, DE location, this is a natural extension of our 2020 market acquisition of MidCoast Community Bancorp. The HVB acquisition will supplement our Delaware initiative, as we currently transact business in the greater Philadelphia market with our strong lending teams in the Kennett Square, PA market and Wilmington, DE market. This combination will deepen our reach in banking services and enhance technological offerings across our entire bank franchise. The expertise of the combined organization will enable us to continue to invest in the future, build market share, and better serve all our constituencies. We are excited about the endless future opportunities.

PRACTICING GOOD STEWARDSHIP

In carrying on our stewardship role, our ongoing support for our communities continued as strong as ever in 2022. As a community bank, it is our civil and social responsibility to be a living and breathing partner in all the communities we serve. As is tradition, we remained 100% committed to these principles and values, as evidenced by the following:

- » We have donated \$350,000 to 45 educational enrichment programs across multiple counties as part of the Educational Improvement Tax Credit (EITC) program. This brings our total donations to \$2,550,000 over the last 12 years.



- » FCCB was a lead investor by providing \$100,000 to support the HDC MidAtlantic's College Avenue Affordable Housing Project, which will provide affordable housing in Lancaster City, PA.
- » Contributed \$50,000 to support the WEPA Tec Centro workforce development project in Lebanon City, PA. This center will provide workforce training and education to low and moderate income individuals that reside within the city.
- » We have continued our partnership with our good friends at the Central PA Food Bank by volunteering man hours and contributing over \$28,000 to provide hundreds of meals to those in need.
- » We also continued our partnership with Blaise Alexander and the First Community Foundation for their Raise the Region online fundraising event. The first of its kind in Tioga County, PA, this annual event supports non-profits based in Tioga County. As stated last year, FCCB's donation was made in honor of Lowell & Lynne Coolidge for their lifelong commitment to the communities and non-profits of Tioga County, PA.
- » In addition, we donated over \$110,000 towards various organizations and events related to youth, community, health, and agricultural education activities.

We are passionate about the potential of bringing people together, enabling companies and individuals to reach for their dreams, and being a source of strength in difficult times.

As we begin 2023, there are signs that the aggressive rate increases in 2022 by the Federal Reserve are impacting inflation, as the economy shows signs of slowing. There are some schools of thought that a recession is imminent, and others feel that we will have a soft landing. No matter what the economy presents us, we plan on doing what we do best, which is to focus on the needs of our customers, communities, and team members while delivering increased franchise value for our shareholders. We intend to make sure our company continues to stand the test of time - like it has for the last 150 years.

The year 2023 will be a challenging, busy, and exciting year for our company. The afore-mentioned economic interest rate cycle will continue to present challenges. As financial institutions compete for deposits, we expect that our cost of funds will continue to escalate, as both consumer and business expectations will continue to increase with the market. At the same time, the demand for loans will continue to slow, with higher borrowing costs and an overall slowing of the economy. Then there is the HVB acquisition. As with any acquisition, there is much work involved to make sure the integration of the two companies is seamless. However, this acquisition is more complex than our past experiences. We will introduce our processes and systems, in addition to converting the core operating system of HVB. We will also integrate their mortgage banking division, commercial loan origination system, digital bank, and leadership team into our company. This integration will take focus, discipline, and execution over a short time horizon to accomplish. The task is complex; however, I have the utmost confidence in our team that we are up for this challenge. They are a special group, and we excel at projects like this, knowing that we will be better in the end, fulfilling our promise to our customers, communities, teammates, and shareholders.



As we close out 2022, I remain as proud as ever of what our company and my team members have achieved, collectively and individually. As you all know, we have embraced the essential role of being a community bank. We are passionate about the potential of bringing people together, enabling companies and individuals to reach for their dreams, and being a source of strength in difficult times. I want to thank all my teammates whose efforts and dedication made 2022 one of the best years on record.

Our actions continue to be a reflection of our mission, whether it is through our dedication to our strategic plan, share holder return, or employee and board development; we strive to continue to build an experienced and knowledgeable team. With this, it's my pleasure to also welcome John (Johnny) Painter, owner/operator of Painterland Farms, in Westfield, PA, to the board of directors of FCCB, effective January 1, 2023. With our ongoing focus on agriculture and the subsequent concentration of agricultural-related loans in our loan portfolio, we sought additional expertise to continue to help guide and educate us. Johnny's lifelong background, experience, and understanding of agriculture and our markets are a welcome addition to an already outstanding board of directors.

In closing, I want to extend my sincere thank you to all our customers, who continue to put their trust in us to help them achieve milestones throughout their life's journey. I also want to thank our shareholders for your ownership, trust, and support of our vision and strategy. And finally, thank you to our TEAM for your leadership, dedication, and commitment to providing exceptional experiences to all. My promise to you all is that I will continue to practice good stewardship to make sure our company is well-positioned for future generations!

Randall E. Black

Chief Executive Officer and President
Vice Chairman of the Board of Directors

Employee and Board News



A KATHLEEN TOKONITZ
2022 Employee of the Year

Despite low inventory and a rising rate environment, Kathleen ended 2021 with 106 closed loans totaling \$19,732,279, and ended 2022 with 56 closed loans for \$17,171,201.



B SUSAN KLESA
2022 Employee of the Year

Susan is extremely knowledgeable, patient, and has the ability to solve problems.

C JIM CHAMBERLAIN
2022 Employee of the Year

Jim has been a key player in keeping credit risk/asset quality at a level that is satisfactory to the board and examiners.



D MELISSA COWLES
2022 President's Award

Melissa has been an instrumental part of the FCCB family for 20+ years, and has been the leader of many projects throughout her tenure at FCCB.



E KELLY WETZEL
2022 Superior TEAM Spirit Award

Kelly has a very positive attitude with her internal and external customers. She always has a smile on her face and helps uplift other employees.



F ALECIA KELSEY
2022 Superior Outstanding Service Award

Alecia goes out of her way to help customers, sometimes going through a very lengthy process to provide the best quality service.

G BILLIE JO PRISET
2022 Superior Outstanding Service Award

Billie Jo's happy demeanor is contagious and is always a bright spot during tougher days. Her signature reply of, "I can help you with that!" is sincere and genuine.



H LURA TAUB
2022 Employee Volunteer of the Year

Lura volunteers for fire departments, the Red Cross, and Women in Business. She never hesitates to organize Toys for Tots, and participates in raising funds for Special Olympics. She is involved with The WRK Group, Children & Families First, and Teach Children to Save. The list is long, but Lura shows complete dedication and genuine love for each of the organizations she represents.



Employee and Board News



Five Years of Employment

Barbara Blain, Paula Roberts, Jessica Chobody, Charity Dunbar, Michelle Young, Ronita Swenson, Sarah Lampman, Jami Theiller, Christine Dine-Rex, David Richards
(Not pictured - Alex Keck, John DiGiacomo, and Jen Lozo)



Ten Years of Employment

Katie Kshir, Diane Wilson, Rebecca Russell and Nikki Putnam
(Not pictured - Jamie Koppenhaver)



Twenty Years of Employment

Bob Mosso, Lorraine Brown, Lisa Banik, Greg Anna, and Alaina Knisely



Twenty-Five Years of Employment

Suzanne Case and Connie Mattison



Thirty Years of Employment

Renée Davis



Thirty-Five Years of Employment

Jeff Wilson and Michele Yeagle

150th Anniversary Celebration



A



B



C

We are very aware of and humbled by how fortunate we are to have had the ability to successfully serve our communities for such a long time. We're also very aware that this didn't happen by accident or luck, but by our ability to execute on a continuously evolving strategic plan and our agile approach to opportunities that are profitable to our franchise.



D



E

- A** We donated \$1,500 to the Food Bank of Delaware. They distribute millions of pounds of food each year to the needful communities through on-site food pantries, mobile food pantries and a network of hunger-relief partners throughout the state. Pictured are: *Anthony Manerchia, Shawn Williams, John O'Connor, and Kyle Brolis* from the Food Bank of Delaware.
- B** We proudly donated \$1,500 to Fill A Glass with Hope, an organization that raises funds that enable food banks to purchase fresh milk directly from their local dairies in order to distribute it to families in need.
- C** Our South Central branches participated in the Lebanon Day of Caring event, where 19 employees and board members served 150 hot meals to those less fortunate, cleaned up playgrounds, painted and landscaped.
- D** WR Croman Elementary School held their annual Community Days, where *Bonnie Seeley, Erin Hite and Erin Cole* read "The Giving Jar" to children in grades K-2.
- E** We put the "Unity" in "Community"! Several members from our South Central TEAM spent time volunteering at Jubilee Ministries in Lebanon. Pictured are Front Row: *Shelby Smith, Alecia Kelsey, Mariel Lopez, Lauren Mariani, Lori Fallor, and Nathan Graybeal*, Back Row: *Sean McKinney, Ben Landis, Kelly Wetzel, Dawn Miele, Dave Leggat, and Beth Reed*.

150th Anniversary Celebration



Our success is a direct result of the hard work of our loyal employees, so in honor of our anniversary year we celebrated together in many ways!



- F** **Members of the FCCB South Central Team partnered with the United Way**, where they packed 150 Bookbags with supplies for the annual Schuylkill County Stuff A Bus.
- G** **The Delaware Region celebrated First Responders Day by providing 150 lunches to the Wilmington Fire Department.** Boxed lunches were delivered over a course of three days so that every shift would receive a meal. Pictured are: *Lura Taub, Christine Menser, Brian Novacich, Christina Summa, Kaitlin Bell, James Dahlke, Chief John Looney*, as well as members of the Wilmington Fire Department.
- H** **Our Friedensburg Team:** *Jennifer Reinhart, Cheyann Buehrer, Beth Reed, Kim Buchinsky and Darlene Fegley.*
- I** **Our Deposit Operations Team:** Pictured are Front Row: *Kayla Lattimer, Melinda Kilburn, Kim Holdren, Renee Davis, and Kelly Watkins.* Back Row: *Jayanna Teeter, Beth Pfleeger, Katie Everdean, and Emily Pelicano.*
- J** **Members of the FCCB Ag Team made a donation of \$1,500 to the Central Pennsylvania Food Bank in honor of the Bank's 150th Anniversary.** Pictured are: *Erin Cole, Chris Landis, Mindee Lyon (Central PA Food Bank), and Ian Weaver.*
- K** **Our Millerton Team:** *Dylan Robinson, Jeanie Seeley, Amber Sargent, and Tammi Smith-Cersoli.*

Selected Financial Data

COMMON STOCK

The Company's stock is listed on the Nasdaq exchange under the trading symbol CZFS. The prices do not include retail markups or markdowns or any commission to the broker-dealer. The bid prices do not necessarily reflect prices in actual transactions. Cash dividends are declared on a quarterly basis.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as required to be filed with the Securities and Exchange Commission, will be furnished without charge upon written request to the Company's Treasurer at the principal office at 15 South Main Street, Mansfield, PA 16933. The information is also available through the Company's website at www.firstcitizensbank.com and at the website of the Securities and Exchange Commission at www.sec.gov.

STOCK PERFORMANCE

2022	High	Low	Dividends paid per share
First quarter	\$62.97	\$59.46	\$0.475
Second quarter	\$69.00	\$62.62	\$0.475
Third quarter	\$87.98	\$67.00	\$0.480
Fourth quarter	\$80.79	\$65.00	\$0.480

2021			
First quarter	\$58.42	\$53.96	\$0.465
Second quarter	\$62.50	\$58.42	\$0.465
Third quarter	\$64.00	\$61.10	\$0.470
Fourth quarter	\$61.50	\$59.00	\$0.470

TRUST AND INVESTMENT SERVICES FUNDS UNDER MANAGEMENT

(market values - in thousands)

	2022	2021	2020	2019	2018
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INVESTMENTS					
Bonds	\$ 13,497	\$ 8,640	\$ 11,777	\$ 17,349	\$ 17,559
Stocks	33,659	22,099	30,867	18,632	16,372
Savings and Money Market Funds	14,813	11,587	13,427	16,085	16,100
Mutual Funds	75,700	105,233	86,141	75,158	60,847
Mineral interests	8,465	2,959	2,738	4,982	4,500
Mortgages	783	856	956	1,045	1,082
Real Estate	1,965	2,099	1,560	696	839
Cash and Miscellaneous	1,149	1,367	2,882	351	288
TOTAL	\$ 150,031	\$ 154,840	\$ 150,348	\$ 134,298	\$ 117,587

ACCOUNTS					
Trusts	\$ 47,762	\$ 46,953	\$ 40,234	\$ 34,975	\$ 30,736
Guardianships	400	443	2,817	5,929	2,347
Employee Benefits	50,883	62,149	58,751	51,870	51,907
Investment Management	50,985	45,293	48,462	41,520	32,595
Custodial	1	2	84	4	2
TOTAL	\$ 150,031	\$ 154,840	\$ 150,348	\$ 134,298	\$ 117,587

Selected Financial Data

CONSOLIDATED BALANCE SHEET

(in thousands)

For the years ended December 31,	2022	2021	2020	2019	2018
ASSETS					
Cash and cash equivalents:					
Noninterest-bearing	\$ 24,814	\$ 14,051	\$ 16,374	\$ 17,727	\$ 15,327
Interest-bearing	1,397	158,782	52,333	793	1,470
Total cash and cash equivalents:	26,211	172,833	68,707	18,520	16,797
Interest bearing time deposits with other banks	6,055	11,026	13,758	14,256	15,498
Equity securities	2,208	2,270	1,931	701	516
Available-for-sale securities	439,506	412,402	295,189	240,706	241,010
Loans held for sale	725	4,554	14,640	815	1,127
Net Loans	1,706,447	1,424,229	1,389,466	1,101,724	1,068,999
Premises and equipment	17,619	17,016	16,948	15,933	16,273
Accrued interest receivable	7,332	5,235	5,998	4,555	4,452
Goodwill	31,376	31,376	31,376	23,296	23,296
Bank owned life insurance	39,355	38,503	32,589	28,128	27,505
Other assets	56,559	24,419	21,072	17,705	15,239
TOTAL ASSETS	\$ 2,333,393	\$ 2,143,863	\$ 1,891,674	\$ 1,466,339	\$ 1,430,712
LIABILITIES					
Deposits:					
Noninterest-bearing	\$ 396,260	\$ 358,073	\$ 303,762	\$ 203,793	\$ 179,971
Interest-bearing	1,447,948	1,478,078	1,285,096	1,007,325	1,005,185
Total deposits	1,844,208	1,836,151	1,588,858	1,211,118	1,185,156
Borrowed funds	257,278	73,977	88,838	85,117	91,194
Accrued interest payable	9,726	711	1,017	1,088	1,076
Other liabilities	22,034	20,532	18,702	14,242	14,057
TOTAL LIABILITIES	2,133,246	1,931,371	1,697,415	1,311,565	1,291,483
STOCKHOLDERS' EQUITY					
Common stock	4,428	4,389	4,350	3,939	3,904
Additional paid-in capital	80,911	78,395	75,908	55,089	53,099
Retained earnings	164,922	146,010	126,627	110,800	99,727
Accumulated other comprehensive (loss) gain	(33,141)	(155)	2,587	(629)	(3,921)
Treasury stock, at cost	(16,973)	(16,147)	(15,213)	(14,425)	(13,580)
TOTAL STOCKHOLDERS' EQUITY	200,147	212,492	194,259	154,774	139,229
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,333,393	\$ 2,143,863	\$ 1,891,674	\$ 1,466,339	\$ 1,430,712

Selected Financial Data

FIVE YEAR SUMMARY OF OPERATIONS

(in thousands, except share data)

	2022	2021	2020	2019	2018
Interest income	\$ 83,357	\$ 73,217	\$ 70,296	\$ 61,980	\$ 56,758
Interest expense	11,223	7,105	8,105	12,040	9,574
Net interest income	72,134	66,112	62,191	49,940	47,184
Provision for loan losses	1,683	1,550	2,400	1,675	1,925
Net interest income after provision for loan losses	70,451	64,562	59,791	48,265	45,259
Non-interest income	9,999	11,754	11,158	8,242	7,754
Investment securities (losses) gains, net	(261)	551	264	144	(19)
Non-interest expenses	44,694	41,550	40,847	33,341	31,557
Income before provision for income taxes	35,495	35,317	30,366	23,310	21,437
Provision for income taxes	6,435	6,199	5,263	3,820	3,403
NET INCOME	\$ 29,060	\$ 29,118	\$ 25,103	\$ 19,490	\$ 18,034

PER SHARE DATA:

Net income - Basic (1)	\$ 7.32	\$ 7.31	\$ 6.46	\$ 5.36	\$ 4.93
Net income - Diluted (1)	7.32	7.31	6.46	5.36	4.93
Cash dividends declared (1)	1.90	1.84	1.88	1.73	1.67
Stock dividend	1%	1%	1%	1%	1%
Book value (1) (2)	58.74	53.39	47.93	42.68	39.17

FINANCIAL RATIOS AND DATA:

Return on average stockholders' equity, excluding accumulated other comprehensive income	12.98%	14.26%	14.21%	13.00%	13.00%
Return on average assets	1.29%	1.45%	1.46%	1.34%	1.29%
Dividends as a percent of net income	26.11%	25.36%	29.32%	32.40%	34.08%
Equity to asset ratio (average equity to average total assets, excluding other comprehensive income)	9.93%	10.20%	10.27%	10.31%	9.90%

LOAN QUALITY (dollars in thousands):

Non-performing assets	\$ 7,488	\$ 8,842	\$ 13,093	\$ 15,427	\$ 14,393
Non-performing loans	\$ 6,945	\$ 7,662	\$ 11,257	\$ 12,023	\$ 13,792
Non-performing assets as a percent of loans, net of unearned income	0.43%	0.61%	0.93%	1.38%	1.33%
Non-performing loans as a percent of loans, net of unearned income	0.40%	0.53%	0.80%	1.08%	1.27%
Year-end allowance for loan losses	\$ 18,552	\$ 17,304	\$ 15,815	\$ 13,845	\$ 12,884
Year-end allowance to total loans	1.08%	1.20%	1.13%	1.24%	1.19%
Year-end allowance to total non-performing loans	267.13%	225.84%	140.49%	115.15%	93.42%

(1) Amounts were adjusted to reflect stock dividends.

(2) Calculation excludes accumulated other comprehensive income.

Selected Financial Data

CONSOLIDATED QUARTERLY DATA

(in thousands, except share data)

Three Months Ended		Mar 31		June 30		Sep 30		Dec 31
2022								
Interest income	\$	17,815	\$	19,407	\$	21,783	\$	24,352
Interest expense		1,553		1,678		2,937		5,055
Net interest income		16,262		17,729		18,846		19,297
Provision for loan losses		250		450		725		258
Non-interest income		2,476		2,438		2,717		2,368
Investment securities losses, net		(45)		(134)		(25)		(57)
Non-interest expenses		10,231		11,200		11,614		11,649
Income before provision for income taxes		8,212		8,383		9,199		9,701
Provision for income taxes		1,472		1,482		1,655		1,826
Net income	\$	6,740	\$	6,901	\$	7,544	\$	7,875
Earnings Per Share Basic (1)	\$	1.69	\$	1.74	\$	1.90	\$	1.99
Earnings Per Share Diluted (1)	\$	1.69	\$	1.74	\$	1.90	\$	1.99

Three Months Ended		Mar 31		June 30		Sep 30		Dec 31
2021								
Interest income	\$	18,295	\$	18,075	\$	18,342	\$	18,505
Interest expense		1,854		1,863		1,752		1,636
Net interest income		16,441		16,212		16,590		16,869
Provision for loan losses		650		500		400		—
Non-interest income		3,998		2,677		2,618		2,461
Investment securities gains, net		237		29		234		51
Non-interest expenses		9,947		10,320		10,400		10,883
Income before provision for income taxes		10,079		8,098		8,642		8,498
Provision for income taxes		1,616		1,451		1,578		1,554
Net income	\$	8,463	\$	6,647	\$	7,064	\$	6,944
Earnings Per Share Basic (1)	\$	2.12	\$	1.67	\$	1.77	\$	1.74
Earnings Per Share Diluted (1)	\$	2.12	\$	1.67	\$	1.77	\$	1.74

(1) Amounts were adjusted to reflect stock dividends

Selected Financial Data

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(UNAUDITED) (in thousands, except share data)

For the years ended December 31,	2022	2021
NET INCOME EXCLUDING EXCESS PPP FEES AND BOLI DEATH BENEFITS		
Net Income	\$ 29,060	\$ 29,118
Excess PPP fees, net of tax		\$ (1,628)
BOLI death benefits	—	(1,155)
Net Income excluding excess PPP fees and BOLI death benefits	\$ 29,060	\$ 26,335
EARNINGS PER SHARE, EXCLUDING EXCESS PPP FEES AND BOLI DEATH BENEFITS		
Net Income	\$ 29,060	\$ 29,118
Excess PPP fees, net of tax	—	(1,628)
BOLI death benefits	—	(1,155)
Net Income excluding excess PPP fees and BOLI death benefits	\$ 29,060	\$ 26,335
Number of shares used in computation - basic adjusted for June 2022 stock Dividend	3,969,722	3,984,085
Basic earnings per share	\$ 7.32	\$ 7.31
Excess PPP fees, net of tax per share	—	\$ (0.41)
BOLI death benefits per share	—	\$ (0.29)
Earnings per share, excluding excess PPP fees and BOLI death Benefits	\$ 7.32	\$ 6.61
RETURN ON AVERAGE ASSETS AND EQUITY EXCLUDING EXCESS PPP FEES AND BOLI DEATH BENEFITS		
Net Income	\$ 29,060	\$ 29,118
Excess PPP fees, net of tax	—	(1,628)
BOLI death benefits	—	(1,155)
Net Income excluding BOLI death benefits	\$ 29,060	\$ 26,335
Average Assets	2,255,966	2,002,634
Annualized Return on Average stockholders equity, excluding BOLI Death Benefits	1.29%	1.32%
Average Stockholders Equity	\$ 223,955	\$ 204,222
Annualized Return on Average stockholders equity, excluding BOLI Death Benefits	12.98%	12.90%
RETURN ON AVERAGE TANGIBLE EQUITY		
Average Stockholders Equity - GAAP	\$ 201,523	\$ 205,449
Average Accumulated Other Comprehensive Loss (Income)	22,432	(1,227)
Average Intangible Assets	(32,828)	(33,018)
Average Tangible Equity - Non-GAAP	191,127	171,204
Net Income	\$ 29,060	\$ 29,118
Annualized Return on Average Tangible Equity	15.20%	17.01%
RETURN ON AVERAGE TANGIBLE EQUITY EXCLUDING EXCESS PPP FEES AND BOLI DEATH BENEFITS		
Net Income	\$ 29,060	\$ 29,118
Excess PPP fees, net of tax	—	(1,628)
BOLI death benefits	—	(1,155)
Net Income excluding BOLI death benefits	\$ 29,060	\$ 26,335
Average Tangible Equity - Non-GAAP	191,127	171,204
Annualized Return on Average stockholders equity, excluding BOLI Death Benefits	15.20%	15.38%

Company and Shareholder Information

FIRST CITIZENS COMMUNITY BANK

BOARD OF DIRECTORS

Alletta M. Schadler
R. Joseph Landy, Esquire, Chairman of the Board
Randall E. Black, CEO & President,
Vice Chairman of the Board
Rinaldo A. DePaola, Esquire
Mickey L. Jones, EVP, CPA
Robert W. Chappell, Esquire
David Z. Richards, Jr., EVP
Roger C. Graham, Jr.
E. Gene Kosa
Christopher W. Kunes
Thomas E. Freeman
Terry B. Osborne
Janie M. Hilfiger
John P. Painter II

CFSI OFFICERS

Randall E. Black, CEO & President
Gina M. Boor, Secretary
Mickey L. Jones, Treasurer & Asst. Secretary, CPA

CFSI RETIRED DIRECTORS

Robert E. Dalton
Mark L. Dalton

FORM 10-K

The Annual Report on Form 10-K will be made available upon request or is available through the company's website, www.myFCCB.com.

CONTACT

Mickey L. Jones, Treasurer, CPA
Citizens Financial Services, Inc.
15 South Main Street - Mansfield, PA 16933



Company and Shareholder Information

INVESTOR INFORMATION

STOCK LISTING

Citizens Financial Services, Inc. common stock is listed on the Nasdaq exchange and is traded under the symbol CZFS. For assistance regarding a change in registration of stock certificates, replacing lost certificates/dividend checks, or address changes, please contact Shareholder Services or the Transfer Agent listed below.

SHAREHOLDER SERVICES:

First Citizens Community Bank
Attn: Gina Marie Boor, VP
15 South Main Street
Mansfield, PA 16933

Toll free: 800-326-9486
Telephone: 570-662-2121
Website: www.myFCCB.com
E-mail: fccb@myFCCB.com

TRANSFER AGENT

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342 - Brentwood, NY 11717-0718
Phone: 800-733-1121 • Fax: 215-553-5402
E-mail: shareholder@broadridge.com

COMPANY INFORMATION

EXECUTIVE OFFICE

Randall E. Black, CEO & President
Gina M. Boor, VP, Shareholder Services

FINANCE

Stephen J. Guillaume, SVP, CFO
Pamela R. Munford, VP
Katie J. Kshir, AVP
Matthew M. Lundgren, AVP

INVESTMENTS & TRUST

Robert B. Mosso, SVP
John A. DiGiacomo, VP
Matthew A. Stroup, VP
Kristen D. D'Angelo, AVP
Sylvia R. Thompson, AVP
Joseph Garrity, AVP
Jake Wiles, AVP
Tyler Kreger

HUMAN RESOURCES

Laura L. Nelson, VP

OPERATIONS

Mickey L. Jones, EVP, COO
Zerick D. Cook, EVP
Gregory J. Anna, SVP
Robert G. DeWater, VP
Keith E. Sampsell, VP
Melissa A. Cowles, VP
Renée P. Davis, VP
Bonney J. Welch, VP
Lisa A. Banik, VP
Alison S. Broughton, VP
Wendy L. Southard, VP
Douglas N. Smith, AVP
Kathy S. Webster, AVP
Michele E. Yeagle, AVP
Roy I. Zeafra, AVP

MARKETING

Heather R. Sargent, AVP

COMMUNITY REINVESTMENT/FAIR LENDING

James Rovito

Company and Shareholder Information

NORTHERN REGION

RETAIL BANKING SERVICES

Jeffrey B. Carr, SVP
LeeAnn Gephart, SVP
Janet E. Holmes, VP
Diane K. Wilson, VP
Beth A. Weiskopff, VP
Kristina M. Bogaczyk, AVP
Erin E. Hite, AVP
Alexandria L. Keck, AVP

COMMERCIAL BANKING SERVICES

Jeffrey L. Wilson, EVP
Christopher S. Landis, SVP
Erin M. Cole, VP
Francis Covelusky, VP
Ryan Manotti, VP
Patrick E. Prough, VP
Steven R. Hickey, AVP
Margaret J. Shaffer, AVP
T.J. Howe, AVP
Katelyn M. Barney

OFFICE LOCATIONS

Mansfield | 15 S. Main St | 570-662-2121
John Lamonski

Blossburg | 300 Main St | 570-638-2115
Heather Deitrick, AVP

Wellsboro | 1 Pearl St | 570-724-2600
Lisa Wilson, AVP

Wal-Mart | 1169 S. Main St | 570-662-8520
John Lamonski

Troy | 1133 W. Main St | 570-297-2131
Veronica R. Seymour, AVP

Millerton | 7352 Route 328 | 570-537-2203
Jeanie Seeley

Gillett | 33178 Route 14 | 570-596-2679
Veronica R. Seymour, AVP

Canton | 53 W. Main St | 570-673-3103
Misti L. Machmer, AVP

EAST REGIONAL BOARD

Rick Hoover	Thomas J. McDonald, Jr., MD
Gregory S. Jones	Mark Gannon
Amanda Miller	Richard R. Jones
Richmond Havens	Martha D. Young
Frank Watson	Mark Elsbree
Philip C. Rockwell	Thomas Thompson III

WEST REGIONAL BOARD

Christopher D. Jones	James K. Stager
Jody Thomas	Edward Osgood
Thomas J. D'Angelo	Mary Kate Cole
Samuel H. Knipe	Michael Finn
Shane Nickerson	Arlen Calcote
Benjamin Largey	Douglas Kibbe
Christopher Lantz	Michelle Moore

Towanda | 111 Main St | 570-265-6137
Lorraine F. Brown, AVP

Sayre | 306 W. Lockhart St | 570-888-6602
David DeKay

Sayre | 1778 Elmira St | 570-888-4900
David DeKay

LeRaysville | 960 Main St | 570-744-2431
Debra S. Donnelly, AVP

Rome | 847 Main St | 570-247-5100
Debra S. Donnelly, AVP

Ulysses | 502 Main St | 814-848-7572
Alaina F. Knisely, AVP

Genesee | 391 Main St | 814-228-3201
Alaina F. Knisely, AVP

Wellsville, NY | 10 Main St | 585-593-7290
Abbie L. Pritchard, VP

Company and Shareholder Information

CENTRAL REGION

MARKET EXECUTIVE

David Z. Richards, Jr., EVP

CENTRAL REGIONAL BOARD

Steven J. Bason
James Harbach
Michael Talone
William Miller

OFFICE LOCATIONS

Mill Hall | 39 King Arthur Dr | 570-748-6469
Christopher M. Daher, AVP

State College | 141 W. Beaver Ave | 814-231-8010
Christopher M. Daher, AVP

Winfield Loan Production Office
1157 West Branch Parkway, Suite 2 | 570-768-4203
Blaine T. Fessler, VP

SOUTHCENTRAL REGION

RETAIL BANKING SERVICES

Lauren E. Mariani, VP
James A. Rovito, VP
Kathleen Tokonitz, AVP
Mariel Torres-Lopez

COMMERCIAL BANKING SERVICES

Sean P. McKinney, SVP	Benjamin D. Landis, AVP
Jason R. Landis, VP	Andrew Raub, AVP
James Muir, VP	Joseph Santacroce, AVP
Jeffrey J. Rae, VP	Adam J. Brandt
Kelly E. Wetzel, VP	Nathan A. Graybeal
Jennifer Greenawalt, AVP	

REGIONAL BOARD

Paul Kilgore, Esquire	John Zimmerman
Eugene Kreitzer, Sr.	Jose Lopez
Wilmer Stoner	John Hess
Chris Pierce	Jamie Yocum
Robert Walborn	

OFFICE LOCATIONS

Fredericksburg | 3016 S. Pine Grove St | 717-202-2255
Alecia C. Kelsey, AVP

Lebanon | 1690 N. 7th St | 717-202-2252
Dawn M. Miele, AVP

Lebanon | 450 Isabel Dr | 717-202-3978
David S. Leggat, AVP

Mt. Aetna | 7635 Lancaster Ave | 717-202-2239
Alecia C. Kelsey, AVP

Mount Joy | 720 E Main St | 717-928-9050
Carl Hackman, AVP

Fivepointville | 1015 Dry Tavern Rd | 717-335-8022
Brian Michel

Schuylkill Haven | 45 W. Main St | 866-779-4102
Lori A. Faller, AVP

Friedensburg | 1549 Long Run Rd | 866-779-4113
Beth A. Reed

Ephrata | 3630 Rothsville Rd | 223-264-3054
Brian Michel

Company and Shareholder Information

DELAWARE REGION

RETAIL BANKING SERVICES

Brian Novacich, VP

COMMERCIAL BANKING SERVICES

Anthony Manerchia, SVP

Jeremy Abelson, VP

Jose Colon, VP

Kevin Esslinger, VP

Christine Menser, VP

Jonathan Reese, VP

Amy Saul, VP

Edward Sweeney, VP

Jami Theiller, VP

Rod Ward, VP

Shawn Williams, VP

Lisa Hutchinson, AVP

Karen E. Kurtz, AVP

Matthew Walker, AVP

Christina Summa

Kaitlin Bell

REGIONAL BOARD

Robert Aerenson

Joy Barrist

Geoffrey R. Bosley

Joseph A. DePaulo, Jr.

L. Peter Temple

Ronald E. Schafer

Robert Dayton II

William Lattanzio

OFFICE LOCATIONS

Kennett Square, PA

741 W. Cypress St | 800-326-9486

Jennifer Morales

DELAWARE

Dover | 584 N. DuPont Hwy | 302-724-4833

Myra Garcia

Wilmington | 2901 Concord Pike | 302-482-4250

Denyse Corbett, AVP

Wilmington | 4900 Kirkwood Hwy | 302-250-4344

Lura Taub, AVP

Greenville | 3840 Kennett Pike | 302-551-3070

James Dahlke

AG BANKING DIVISION

Randall E. Black, CEO and President

Christopher S. Landis, SVP

Sean P. McKinney, SVP

Blaine T. Fessler, VP

Erin M. Cole, VP

Jason R. Landis, VP

Benjamin D. Landis, AVP

Ian R. Weaver, AVP

Aaron Vastine, AVP

Adam Brandt

Kaitlin Bell

Katelyn Barney

Kimberly Henninger

Nathan Graybeal

AGRICULTURAL ADVISORY BOARD - NORTH

Dale Hoffman

Gene Kosa

Phil Rockwell

Martha Young

Dean Jackson

John Painter

Jeff Barnes

AGRICULTURAL ADVISORY BOARD - SOUTH

Brent Copenhaver

Chris Hoffman

Chris Pierce

Delvin Martin

Peter Hughes

Robert Brubaker, Jr.

Elvin Stoltzfus

Michael Peachey

CITIZENS
FINANCIAL SERVICES

I N C O R P O R A T E D

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