CITIZENS
FINANCIAL CORP.

PURCHASE OF COMMUNITY BANK OFFICES IN BUCKHANNON AND NEW MARTINSVILLE WAS FINALIZED DECEMBER 10, 2021

2021 ANNUAL REPORT

THE BEST BANK FOR

BUSINESSES CUSTOMERS COMMUNITIES

CITIZENS
FINANCIAL CORP.

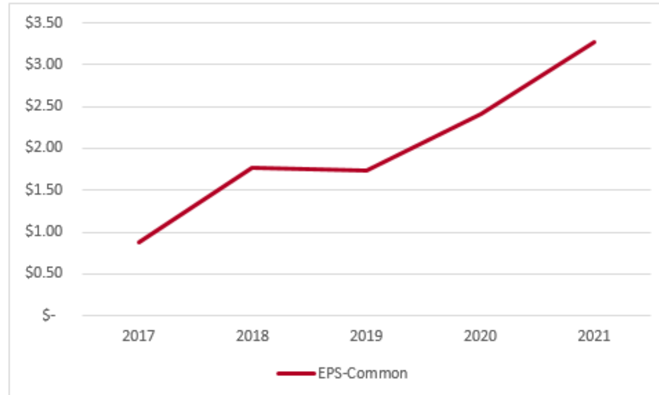
2021 ANNUAL REPORT

FELLOW SHAREHOLDERS:

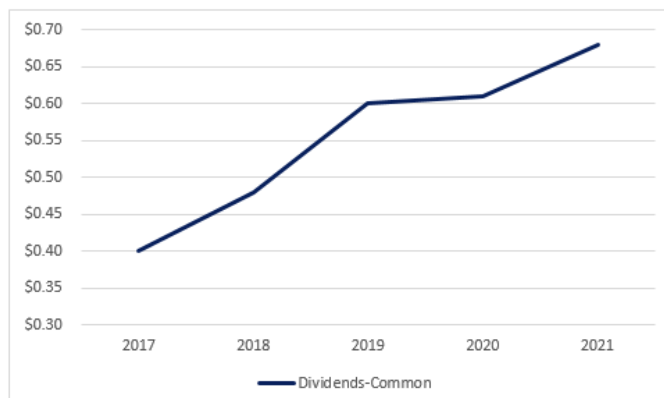
Year 2021 was an exciting time for Citizens, and we want to take this opportunity to highlight many of our accomplishments during an extraordinary year. It is also an opportunity to boast on a collective team of resilient bankers that have pulled together through a global pandemic to meet the ongoing challenges of our clients and communities in order to make us a stronger financial institution. Citizens excelled at providing a second round of Paycheck Protection Program loans to small business clients, expanding our commercial and automobile lending programs, and acquiring two branches from another financial institution to broaden market penetration. In the last four years, Citizens has doubled its asset size to nearly $500 million; and we have done it responsibly with appropriate regard to earnings, efficiency and asset quality.

2021 FINANCIAL PERFORMANCE. Citizens reported remarkable earnings in 2021, with net income at $5.8 million—the highest in our history and exceeding 2020 net income by nearly $1.5 million. At 16.79% for 2021, Citizens Bank produced the highest return on average equity (ROE) of any bank headquartered in the state of West Virginia! In addition, we produced the 2nd highest return on average assets (ROA) at 1.63% and were ranked 3rd in net interest margin (NIM) at 4.2% within West Virginia headquartered banks. We are incredibly proud of these results and the team of dedicated bankers that achieved them.

Growth was a key component of our success this past year. Citizens acquired two branches from Community Bank in Buckhannon and New Martinsville, West Virginia on December 10, 2021 (discussed later). In this transaction, Citizens purchased $102.8 million in deposits and $6.1 million in loans. Overall, Citizens assets grew by nearly 54% or $173 million to $495 million at year-end. Deposits increased by $147 million or 54% to $420 million and gross loans grew by $37 million or 15% to $292 million. While the branch acquisition accounted for the majority of the deposit growth, loan growth was largely the result of our increased focus on automobile and recreational vehicle lending, as well as commercial real estate loans. Additionally, Citizens also had an exceptional year in secondary market fixed-rate mortgage production, generating nearly $1 million in revenue.



Shareholder value continues to increase as we reported earnings per common share of $3.26 in 2021 compared to $2.42 in 2020. We continue to use retained earnings to grow capital and increase your dividend. As we closed out the year, Citizens Financial declared our 2021 fourth quarter dividend in January of 2022 of $.20 per common share bringing total dividends to $.71 per common share—our highest level in history. We are thrilled with our financial results and performance; likewise, we are pleased to provide a strong return on your investment in Citizens.



BRANCH ACQUISITIONS. As previously mentioned, Citizens acquired two branches from Community Bank in Buckhannon and New Martinsville, West Virginia. These additional offices are a nice complement to our existing branch network and provide significant opportunities for Citizens to deepen our relationships in an existing market, as well as expand our franchise north into a new one.

In Buckhannon, our existing office was consolidated into the newly acquired location at the corner of Main and Locust Streets-arguably the busiest intersection in the city. Our expanded market share in Upshur County now ranks us in the top three financial institutions in this market with regard to deposits and creates new lending opportunities. A major renovation of this branch is planned in the coming months to provide better operational space and a rebranding of the property. We are excited about the transformation and expansion in Buckhannon as Citizens is happily referred to as "the local community bank" in this market.

In New Martinsville, aside from changing exterior and interior signage, the office space is well suited to serve our new customers in Wetzel County. Both transitions went very smoothly and we now are able to offer world-class technology and the best in banking and wealth management products and services to nearly forty-five hundred new customers!

COMMUNITY INVOLVEMENT. While many things in our world have been turned upside down since the onset of the COVID-19 pandemic, Citizens continues to keep our community involvement at the forefront. Citizens and our employees played a key role in 2021 through volunteerism, board membership, or financial support. Citizens continues to contribute to many organizations throughout our region including multiple nonprofit agencies, fire departments, schools, colleges, hospitals, foundations, among many others.

Citizens partnered with Davis & Elkins College and WDTV Channel 5 to offer a Citizens Bank of West Virginia Emerging Leaders Scholarship with high school seniors across the state vying for a four-year scholarship that includes tuition, room and board with an approximate value of $160,000. The inaugural scholarship winner was selected from over 100 applicants and will attend D&E in the fall of 2022.

CITIZENS RECEIVES NATIONAL RECOGNITION. Our 2021 financial performance earned Citizens Bank the 10th position in the nation on CB Resource's CB Top Ten™ report in our peer group. This means that out of 638 banks with assets between $250 and $499 million, Citizens Bank is ranked 10th in the United States! The CB Top Ten™ report includes the top 10 percent of banks in our peer group and takes a scoreboard approach to analyzing community bank performance by ranking Asset Growth, ROA, ROE, NIM, Efficiency Ratio, Non-Performing Assets to Assets, Non-Interest Bearing Deposits, and Non-Interest Income. We are extremely proud of this achievement and honored to be classified as one of the top performing banks in the country.

For the second straight year, Citizens was named to American Banker magazine's Top 200 Publicly Traded Community Banks and Thrifts in the nation. In its May 2021 issue, American Banker ranked Citizens 64th on its prestigious nationwide list, up from 150th in 2020. Citizens is ranked the highest in West Virginia and the only bank headquartered in our region of the state to make the list. Citizens was also fortunate to receive a five-star rating for financial strength and security in all of 2021 from Bauer Financial, Inc., the nation's leading independent bank rating and research firm. This rating indicates that the bank excels in areas of capital adequacy, profitability, asset quality, and much more. We are thrilled to receive this coveted rating for another year!

We believe all these accolades are a reflection of the hard work and dedication of our board, management and staff.

RETIREMENT CONGRATULATIONS. In April 2021, Citizens bid farewell to Janet Chapman, Senior Vice President & CFO. We are thankful for her leadership and financial acumen over the last 14 years in our accounting department. She and her husband, Dave, spent the remainder of 2021 traveling and enjoying the grandchildren. At the close of her 22-year banking career, we are grateful for her service and wish her the very best in retirement.

WHAT LIES AHEAD. Record earnings, record asset growth, and record dividends made 2021 a stellar year for Citizens Financial. As we move into 2022, many challenges and opportunities lie ahead of us. Substantial effort will be made to put the new deposits from the branch acquisitions to work in our local communities through lending opportunities without sacrificing asset quality, while considering inflationary pressures and rising interest rates forecasted for the coming year. With a hardworking and dedicated staff, Citizens is well-positioned and prepared for the future. We will meet challenges with enthusiasm and continue to grow our franchise and build on our long-term success.

We take this opportunity to thank you, fellow shareholders, for your confidence in us and appreciate your investment in Citizens.

Cyrus K. Kump
Chairman of the Board

Nathaniel S. Bonnell
President & CEO

SELECTED FINANCIAL DATA FIVE YEAR SUMMARY

(in thousands of dollars, except per share data)

	2021	2020	2019	2018	2017
BALANCE SHEET DATA:					
Total assets	$ 494,588	$ 321,925	$ 284,966	$ 264,083	$ 248,134
Securities	83,868	14,929	18,352	17,347	26,629
Loans, net	289,791	252,795	227,277	221,135	191,758
Deposits	420,356	272,996	237,481	220,804	197,157
Total shareholders' equity	36,407	31,919	28,782	26,916	24,844
SUMMARY OF OPERATIONS:					
Interest income	$ 15,088	$ 14,005	$ 13,280	$ 11,738	$ 10,266
Interest expense	1,218	1,658	2,229	1,354	884
Net interest income	13,870	12,347	11,051	10,384	9,382
Provision for loan losses	500	1,052	913	450	328
Net interest income after provision for loan losses	13,370	11,295	10,138	9,934	9,054
Noninterest income	3,636	3,984	2,451	2,195	2,017
Noninterest expense	9,711	9,865	8,717	8,189	7,846
Income before income taxes	7,295	5,414	3,872	3,940	3,225
Income tax expense	1,502	1,104	773	774	1,658
Net income	$ 5,793	$ 4,310	$ 3,099	$ 3,166	$ 1,567
PER COMMON SHARE DATA:					
Net income, basic and fully diluted	$ 3.26	$ 2.42	$ 1.74	$ 1.77	$ 0.87
Cash dividends declared	$ 0.68	$ 0.61	$ 0.60	$ 0.48	$ 0.40
PER CLASS A COMMON SHARE DATA:					
Net income, basic and fully diluted	$ 3.43	$ 2.55	$ 1.83	$ 1.86	$ 0.92
Cash dividends declared	$ 0.71	$ 0.64	$ 0.63	$ 0.50	$ 0.42

ASSETS	December 31, 2021	December 31, 2020
Cash and due from banks	$ 5,767,912	$ 5,475,922
Interest bearing deposits with other banks	92,558,821	30,663,324
Securities available for sale, at fair value	79,152,829	10,785,935
Restricted investments, at cost	4,714,700	4,142,700
Loans, less allowance for loan losses of $3,685,013 and $3,037,318, respectively	289,791,214	252,794,879
Bank premises and equipment, net	7,921,891	5,984,361
Accrued interest receivable	1,222,713	1,071,567
Bank owned life insurance	5,521,563	5,604,887
Other real estate owned, net of valuation allowance of $0 and $1,767,925, respectively	926,325	2,399,585
Goodwill and other intangible assets, net	5,045,329	549,200
Other assets	1,964,472	2,452,465
Total assets	$ 494,587,769	$ 321,924,825
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing	$ 116,781,817	$ 77,401,049
Interest bearing	303,574,401	195,594,747
Total deposits	420,356,218	272,995,796
Short-term borrowings	19,000,356	5,884,443
Long-term borrowings	14,815,902	6,240,978
Other liabilities	4,008,171	4,884,962
Total liabilities	458,180,647	290,006,179
Commitments and contingencies		
Shareholders' equity		
Common stock, $2.00 par value, 4,500,000 shares authorized, 2,250,000 issued	4,500,000	4,500,000
Class A Common stock, $2.00 par value, 4,500,000 shares authorized, 82,098 issued	164,196	164,196
Class B Common stock, $2.00 par value, 4,500,000 shares authorized, none issued	-	-
Retained earnings	39,319,721	34,735,598
Accumulated other comprehensive loss	(3,019,866)	(2,924,558)
Common treasury stock at cost, 546,192 and 547,092 shares, respectively	(4,400,686)	(4,406,700)
Class A Common treasury stock at cost, 14,082 and 13,707 shares, respectively	(156,243)	(149,890)
Total shareholders' equity	36,407,122	31,918,646
Total liabilities and shareholders' equity	$ 494,587,769	$ 321,924,825

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2021	2020
Interest and dividend income		
Interest and fees on loans	$ 14,351,922	$ 13,300,827
Interest and dividends on securities:		
Taxable	620,650	475,809
Tax-exempt	50,000	55,006
Interest on interest bearing deposits with other banks	65,233	173,863
Total interest and dividend income	15,087,805	14,005,505
Interest expense		
Interest on deposits	1,045,891	1,448,649
Interest on short-term borrowings	6,968	7,582
Interest on long-term borrowings	164,558	201,790
Total interest expense	1,217,417	1,658,021
Net interest income	13,870,388	12,347,484
Provision for loan losses	500,000	1,052,312
Net interest income after provision for loan losses	13,370,388	11,295,172
Noninterest income		
Trust income	365,485	335,189
Service fees	1,543,760	1,239,989
Insurance commissions	201,937	220,404
Securities gains, net	-	1,097
Brokerage fees	143,806	118,871
Gain on sale of loans held for sale	496,865	1,000,160
Secondary market loan fees	457,313	571,217
Income from bank owned life insurance	305,688	166,128
Other	120,594	331,272
Total noninterest income	3,635,448	3,984,327
Noninterest expense		
Salaries and employee benefits	5,406,840	5,220,130
Net occupancy expense	517,449	494,252
Equipment expense	314,749	287,819
Data processing	915,375	835,549
Director fees	271,532	247,545
Postage expense	143,738	110,416
Professional service fees	455,908	289,421
Stationery	154,413	165,669
Software expense	196,089	282,501
FDIC insurance assessment	91,530	76,766
Net cost of operation of other real estate owned, valuation adjustments, and losses (gains) on sales	112,161	702,538
Other	1,131,267	1,152,797
Total noninterest expense	9,711,051	9,865,403
Income before income taxes	7,294,785	5,414,096
Income tax expense	1,502,202	1,104,269
Net income	$ 5,792,583	$ 4,309,827
Basic and fully diluted earnings per common share	$ 3.26	$ 2.42
Basic and fully diluted average common shares outstanding	1,703,241	1,706,405
Basic and fully diluted earnings per Class A Common share	$ 3.43	$ 2.55
Basic and fully diluted average Class A Common shares outstanding	68,290	68,564

See Notes to Consolidated Financial Statements

	Years Ended December 31, 2021	2020
Net income	$ 5,792,583	$ 4,309,827
Other comprehensive income/(loss):		
Gross unrealized gains arising during the period	(926,096)	349,358
Adjustment for income tax effect	233,284	(88,003)
	(692,812)	261,355
Reclassification adjustment for (gains) included in net income	-	(1,097)
Adjustment for income tax effect	-	276
	-	(821)
Net pension and other post-retirement gain (loss) arising during the period	399,180	(704,599)
Adjustment for income tax effect	(100,554)	177,489
	298,626	(527,110)
Amortization of net actuarial loss included in the net periodic benefit cost	399,517	332,344
Adjustment for income tax effect	(100,639)	(83,717)
	298,878	248,627
Other comprehensive (loss), net of tax	(95,308)	(17,949)
Comprehensive income	$ 5,697,275	$ 4,291,878

See Notes to Consolidated Financial Statements

	Years Ended December 31, 2021 and 2020						
	Common Stock	Class A Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Common Treasury Stock	Class A Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2019	$ 4,500,000	$ 164,196	$ 31,510,996	$ (2,906,609)	$ (4,339,650)	$ (146,549)	$ 28,782,384
Net income	-	-	4,309,827	-	-	-	4,309,827
Other comprehensive loss, net of tax	-	-	-	(17,949)	-	-	(17,949)
Purchase of 4,600 Common treasury shares	-	-	-	-	(67,050)		(67,050)
Purchase of 232 Class A treasury shares	-	-	-	-	-	(3,341)	(3,341)
Cash dividends declared ($0.61 per Common share, $0.64 per Class A share)	-	-	(1,085,225)	-	-	-	(1,085,225)
Balance, December 31, 2020	$ 4,500,000	$ 164,196	$ 34,735,598	$ (2,924,558)	$ (4,406,700)	$ (149,890)	$ 31,918,646
Net income	-	-	5,792,583	-	-	-	5,792,583
Restricted awards granted – 5,600 shares	-	-	-	-	92,728	-	92,728
Other comprehensive loss, net of tax	-	-	-	(95,308)	-	-	(95,308)
Purchase of 4,700 Common treasury shares	-	-	-	-	(86,714)	-	(86,714)
Purchase of 375 Class A treasury shares	-	-	-	-	-	(6,353)	(6,353)
Cash dividends declared ($0.68 per Common share, $0.71 per Class A share)	-	-	(1,208,460)	-	-	-	(1,208,460)
Balance, December 31, 2021	$ 4,500,000	$ 164,196	$ 39,319,721	$ (3,019,866)	$ (4,400,686)	$ (156,243)	$ 36,407,122

See Notes to Consolidated Financial Statements

	Years Ended December 31, 2021	Years Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,792,583	$ 4,309,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	332,334	297,453
Provision for loan losses	500,000	1,052,312
Stock-based compensation	92,728	-
Deferred income tax expense/(benefit)	328,078	(162,348)
Amortization of security premiums/discounts, net	36,466	14,031
Securities (gains), net	-	(1,097)
(Gain), loss on sale of other real estate, net	(303)	22,135
Provision for other real estate valuation	-	608,690
Loss on disposition of equipment and other assets	-	708
Increase in cash surrender value of life insurance	(177,417)	(177,272)
Gain on redemption of life insurance	(139,991)	-
Fair value adjustment on deferred acquisition payments	-	4,959
Gain on sale of loans held for sale	(496,865)	(1,000,160)
Originations of loans held for sale	(31,248,484)	(55,016,193)
Proceeds from loans held for sale	31,745,349	56,016,353
(Increase) in accrued interest receivable	(134,900)	(208,550)
(Increase) decrease in other assets	(176,161)	220,310
(Decrease) increase in other liabilities	410,555	(506,480)
Net cash provided by operating activities	6,863,972	5,474,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and calls of securities available for sale	2,000,078	8,615,000
Principal payments received on securities available for sale	1,054,653	781,068
Purchases of securities available for sale	(72,384,187)	(4,068,627)
Proceeds from sales of restricted investments	645,500	606,600
Purchases of restricted investments	(1,217,500)	(2,175,100)
Loans (made to)/repaid by customers, net	(31,555,125)	(28,922,943)
Purchases of bank premises and equipment	(485,697)	(230,572)
Premiums paid on life insurance	(15,327)	(15,327)
Proceeds from redemption of life insurance	416,059	-
Cash paid in acquisition of mortgage company	(160,000)	(197,153)
Net cash received from acquisition	90,749,316	-
Proceeds from sale of other real estate	1,575,497	267,319
Net cash used in investing activities	(9,376,733)	(25,339,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1,208,460)	(1,085,225)
Acquisition of treasury stock	(93,067)	(70,391)
Net increase in demand and savings deposits	65,731,999	50,533,856
Net (decrease) in time deposits	(8,372,467)	(15,019,040)
Net increase (decrease) in short-term borrowings	67,319	(1,102,487)
Proceeds from long-term borrowings	10,000,000	-
Repayments of long-term borrowings	(1,425,076)	(263,215)
Net cash provided by financing activities	64,700,248	32,993,498
Increase in cash and cash equivalents	62,187,487	13,128,440
Cash and cash equivalents:		
Beginning	36,139,246	23,010,806
Ending	$ 98,326,733	$ 36,139,246

See Notes to Consolidated Financial Statements

Note 1. Significant Accounting Policies

Nature of Business: Citizens Financial Corp. ("Citizens" or "the company" or "we") was incorporated as a bank holding company in 1987. Our wholly-owned bank subsidiary, Citizens Bank of West Virginia, Inc. ("the bank"), founded in 1924, provides retail, secondary market, and commercial loan services, as well as, deposit, trust and brokerage services to customers in Randolph, Tucker, Upshur, Pocahontas and Wetzel Counties of West Virginia and nearby areas. In addition, Citizens operates CompliaFI, LLC, formed in 2020, that provides regulatory compliance and marketing related services to other financial institutions within and around West Virginia.

Classes of common stock: The company has three classes of common stock: Common stock, Class A Common stock, and Class B Common stock. The rights and privileges are outlined in the following paragraphs.

Characteristic	Common	Class A Common	Class B Common
Voting rights	Full voting rights	As required by law and for a merger/ share exchange	As required by law and for a merger/share exchange
Dividends	As declared	5% premium over Common stock dividends with payment before all other shares	10% premium over Common stock dividends with payment before Common stock but after Class A Common
Liquidation Preference	Last preference	Priority over all others. Distribution is same as Common stock or book value of Common stock, whichever is greater.	After Class A Common stock but before Common stock
Conversion to Common stock	N/A	Conversion to Common stock at change in control	Conversion to Common stock at change in control
Transfer Restrictions	No	Yes–company has right of first refusal	Yes–company has right of first refusal

Basis of Financial Statement Presentation: Our accounting and reporting policies conform to U.S. generally accepted accounting principles and to general practices within the banking industry.

Use of Estimates: In preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, determination of benefit obligations, and the valuation of other real estate owned.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Citizens Financial Corp. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Risks and Uncertainties: The outbreak of COVID-19 has adversely impacted a broad range of industries in which the company's customers operate and could impair their ability to fulfill their financial obligations to the company. The World Health Organization has declared COVID-19 to be a global pandemic indicating that almost all public commerce and related business activities must be, to varying degrees, curtailed with the goal of decreasing the rate of new infections. The spread of the outbreak has caused disruptions in the U.S. economy and has disrupted banking and other financial activity in the areas in which the company operates. While there has been no material impact to the company's employees to date, COVID-19 could also potentially create widespread business continuity issues for the company. The company's business is dependent upon the willingness and ability of its employees and customers to conduct banking and other financial transactions. If the global response to contain COVID-19 escalates further or is unsuccessful, the company could experience a material adverse effect on its business, financial condition, results of operations and cash flows. While it is not possible to know the full universe or extent that the impact of COVID-19, and resulting measures to curtail its spread, will have on the company's operations, the company is disclosing potentially material items of which it is aware.

Presentation of Cash Flows: For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, balances due from banks (including cash items in process of clearing) and federal funds sold. Cash flows from demand deposits, NOW accounts and savings accounts are reported net since their original maturities are less than three months. Cash flows from loans and certificates of deposit and other time deposits are also reported net.

Securities: All of our debt securities are classified as available-for-sale and carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of comprehensive income until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method. Premiums and discounts are recognized as interest income using the interest method over the period to maturity. Declines in the fair value of available for sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. An impairment is considered other-than-temporary and recognized in its entirety in net income if either (1) the intent is to sell the security or (2) it is more likely than not that it will be necessary to sell the security prior to recovery of its amortized cost. If, however, management's intent is not to sell the security and it's not more likely than not that management will be required to sell the security before recovery, management must determine what portion of the impairment is attributable to credit loss, which occurs when the amortized cost of the security exceeds the present value of the cash flows expected to be collected from the security. If there is no credit loss, there is no other-than-temporary impairment. If there is a credit loss, other-than-temporary impairment exists and the credit loss must be recognized in net income and the remaining portion of impairment must be recognized in other comprehensive income.

Loans and Allowance for Loan Losses: The bank grants commercial, commercial real estate, residential real estate, consumer, and tax-exempt state and political subdivision loans to customers. Loans which management has the intent and ability to hold for the foreseeable future or until maturity or payoff are generally reported at their outstanding principal balance reduced by unearned income and the allowance for loan losses. Interest income is accrued daily on the outstanding principal balance. Loan origination fees and certain direct loan origination costs are deferred and amortized as adjustments to the related loan's yield over its contractual life.

The accrual of interest on all classes of loans is discontinued when the loan becomes 90 days delinquent unless the loan is well secured and in the process of collection. A loan is considered well secured if it is collateralized by a perfected security interest in real or personal property sufficient to recover the recorded investment in the loan. A loan is in the process of collection when either a collection effort or legal action is proceeding and is reasonably expected to result in recovery of the loan balance or its restoration to a current status, generally within the next 90 days. In addition, loans may also be placed on nonaccrual, or charged-off, at an earlier date if the collection of principal and interest is in doubt. When loans are placed on nonaccrual, all interest which has accrued but has not been collected is reversed against interest income, unless the income was recognized in prior years, in which case it is charged to the allowance for loan losses. Interest income during the period when a loan is on nonaccrual is recorded on a cash basis after recovery of principal is reasonably assured. If recovery of principal is not reasonably assured, payments received on nonaccrual loans are applied against the outstanding principal balance to the extent necessary to eliminate doubt related to the recovery of principal. Loans are generally restored to an accrual status when the obligation is brought current, has performed in accordance with the terms of the note for a reasonable period of time (usually six months), and interest is no longer in doubt.

All classes of loans are considered past due or delinquent when a contractual payment has not been satisfied. Our policy requires that loans only be re-aged, extended or otherwise brought to a current status when the borrower has exhibited a renewed commitment to repay the loan by making a minimum of three consecutive monthly payments or equivalent lump sum payment and has not been granted any previous extension in the last twelve months. In addition, there can be no more than two extensions on any one loan in any five year period.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that are inherent in the loan portfolio. The allowance is established by provisions charged to operating expense and reduced when loans are charged-off. Subsequent recoveries, if any, are credited to the allowance. Management's evaluation of the adequacy of the allowance for loan losses is based upon quarterly assessments of the loan portfolio. This assessment is inherently subjective and requires significant estimates that are subject to revisions as more information becomes available.

All classes of loans are considered impaired when, based on current information and events, it is probable that the company will be unable to collect the scheduled payments when due according to the contractual terms of the loan agreement. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for larger, nonhomogeneous loans including commercial, commercial real estate, and commercial construction loans. These loans are classified as substandard or doubtful within our internal loan grading system. Large groups of smaller balance homogeneous loans (residential real estate and consumer loans) are collectively evaluated for impairment. Accordingly, the bank does not separately identify individual residential and consumer loans for impairment disclosures, unless a commercial borrower, who has been identified for impairment, also has a residential or consumer loan. In this case, the borrower's total relationship with the bank is reviewed and evaluated for impairment. Impaired loans are generally maintained on a nonaccrual status. However, loans may be returned to accrual status when the obligation is brought current, has performed in accordance with the terms of the note for a reasonable period of time (usually six months), and interest is no longer in doubt.

The allowance for loan losses estimate consists of three components. The first component relates to the specific analysis of impaired loans described above. These loans are each individually evaluated for impairment and an allowance is established when the loan's discounted cash flows, collateral value less cost to sell, or observable market price is less than its carrying value. The second component consists of all loans not specifically analyzed in the first component. For these loans, a general allowance is established by grouping the loans into pools having similar risk characteristics and collectively applying three-year historical loss factors, adjusted for current conditions, to each pool. This general allowance is based on general economic conditions and other qualitative risk factors both internal and external to the company. These factors include: (1) changes in lending policies and procedures; (2) changes in international, national, regional, and local economic and business conditions; (3) changes in the nature and volume of the portfolio and in the terms of loans; (4) changes in the experience, ability, and depth of lending management and other relevant staff; (5) changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely graded loans; (6) changes in the quality of the company's loan review system; (7) changes in the quality of underlying collateral for collateral dependent loans; (8) the existence of any concentrations of credit, and changes in the level of those concentrations; and (9) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the portfolio. The third component consists of an unallocated reserve that is added to the allowance in cases where management believes an additional reserve is warranted. This component helps ensure the adequacy of the allowance when management believes there are uncertainties that may not be fully accounted for in the previous two components. By its nature, the estimate of the allowance for loan losses is highly subjective. This component enables management to use professional judgment to refine imprecision that is inherent in this estimate.

During the quarterly evaluation of the allowance for loan losses, particular characteristics associated with a segment of the loan portfolio are also considered. These characteristics are detailed below:

Commercial loans not secured by real estate carry risks associated with the successful operation of a business, and the repayments of these loans depend on the profitability and cash flows of the business. Additional risk relates to the value of collateral where depreciation occurs and the valuation is less precise.

Loans secured by commercial real estate also carry risks associated with the success of the business and the ability to generate a positive cash flow sufficient to service debts. Real estate security diminishes risks only to the extent that a market exists for the subject collateral.

Residential real estate loans carry risks associated with the continued credit-worthiness of the borrower and changes in the value of the collateral. In instances where construction is in process, these loans carry risks that a project will not be completed as scheduled and budgeted and that the value of the collateral may, at any point be less than the principal amount of the loan. Additional risks may occur if the general contractor, who may not be a loan customer, is unable to finish the project as planned due to financial pressures unrelated to the project.

Consumer loans carry risks associated with the continued credit-worthiness of the borrower and the value of the collateral, such as automobiles which may depreciate more rapidly than other assets. In addition, these loans may be unsecured. Consumer loans are more likely than real estate loans to be immediately affected in an adverse manner by job loss, divorce, illness, or personal bankruptcy. Consumer loans are further segmented into automobile and recreational vehicle loans and other consumer loans.

Loans to tax-exempt state and political subdivisions carry risks associated with changes in budget constraints or revenue bases of the particular municipality or entity. These loans are dependent on the cash flow from the tax-exempt entity and often times have collateral where depreciation occurs and valuation is less than precise.

All classes of loans are charged off against the allowance when the loan or portion of the loan is deemed uncollectible. A loan or portion of a loan may be deemed uncollectible when, for example, pending legal action such as foreclosure is expected to result in a collateral shortfall. Any loan or portion of a loan with an internally assigned grade of "loss" is charged off in the month such grade was assigned.

Loans Held for Sale: Loans held for sale consist of fixed-rate one-to-four family conforming residential real estate loans originated for sale in the secondary market and carried at aggregate cost. The loans are originated and sold within a relatively short time period and differences in the aggregate cost and fair value do not produce results which are materially different. Our practice is to generally sell all fixed-rate, one-to-four family conforming residential real estate loans while holding adjustable-rate loans. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. The company had no loans held for sale at December 31, 2021 or 2020.

Troubled Debt Restructuring: In situations where, for economic or legal reasons related to a borrower's financial condition, management may grant a concession to the borrower that it would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans.

Mortgage Partnership Finance Program: The company participates in the Mortgage Partnership Finance (MPF) Program of the Federal Home Loan Bank of Pittsburgh (FHLB). The program is intended to provide member institutions with an alternative to holding fixed-rate mortgages in their loan portfolios or selling them in the secondary market. The bank participates in the MPF Program by selling, as a principal, closed loans owned by the bank to the FHLB pursuant to one of the FHLB's closed-loan programs. Under the MPF Program(s), credit risk is shared by the bank and the FHLB by structuring the loss exposure in several layers, with the bank being liable for losses after application of an initial layer of losses (after any private mortgage insurance) is absorbed by the FHLB, subject to an amount equivalent to a "BBB" credit risk rating by a rating agency. The bank may also be liable for certain first layer losses after a specified period of time. The bank receives credit enhancement fees from the FHLB for providing this credit enhancement and continuing to manage the credit risk of the MPF Program loans.

Allowance for Indemnifications: The allowance for indemnifications is established through charges to earnings in the form of a provision for indemnifications, which is included in other noninterest expenses. A loss is charged against the allowance for indemnifications under certain conditions when a purchaser of a loan (investor) sold by the bank incurs a loss due to borrower misrepresentation, fraud, early default, or underwriting error. The allowance represents an amount that, in management's judgment, will be adequate to absorb any losses arising from indemnification requests. Management's judgment in determining the level of the allowance is based on the volume of loans sold, historical experience, current economic conditions and information provided by investors. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Bank Premises and Equipment: Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets. Premises and equipment typically have useful lives ranging from 5 to 39 years. Repairs and maintenance expenditures are charged to operating expense as incurred. Major improvements and additions to premises and equipment are capitalized.

Other Real Estate: Other real estate consists of real estate held for resale which is acquired through foreclosure on loans secured by such real estate. At the time of acquisition, these properties are recorded at the fair value less cost to sell with any write-down charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Expenses incurred in connection with operating these properties are charged to operating expenses as incurred; depreciation is not recorded on property held for sale. Gains and losses on the sales of these properties are credited or charged to operating income in the year of the transaction. As of December 31, 2021, the company had no residential real estate foreclosures included in the carrying value. As of December 31, 2020, the carrying value included $47,000 of residential real estate foreclosures. At December 31, 2021, the company had no residential real estate mortgages in the process of foreclosure.

Other Real Estate Owned: The following is a summary of Other Real Estate Owned as of December 31, 2021 and 2020:

	2021	2020
Beginning Balance	$ 2,399,585	$ 944,815
Loans transferred to real estate owned	101,934	2,352,914
Direct write-downs	-	(608,690)
Sales of real estate owned	(1,575,497)	(267,319)
Gain (Losses)	303	(22,135)
Ending Balance	$ 926,325	$ 2,399,585

Acquisitions: Business combinations are accounted for under ASC 805, Business Combinations, using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. To determine the fair values, the company relies on third party valuations based on discounted cash flow analyses or other valuation techniques. Merger expenses are costs the company incurs to effect a business combination. Those costs include advisory, legal, accounting, valuation, and other professional or consulting fees. The company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received.

Goodwill and Intangible Assets: Goodwill is the excess of the cost of an acquisition over the fair value of tangible and intangible assets acquired. Goodwill is not amortized. The company performs an annual review for impairment in the recorded value of goodwill. There was no impairment of goodwill during the years ended December 31, 2021 and 2020. Intangible assets represent purchased assets that also lack physical substance, but can be separately distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. Intangible assets with determinable useful lives, such as core deposit intangibles, are amortized over their estimated useful lives.

Securities Sold Under Agreements to Repurchase: We generally account for securities sold under agreements to repurchase as collateralized financing transactions. Securities pledged as collateral under these financing arrangements cannot be sold or re-pledged by the secured party.

Pension and Other Postretirement Benefits: The bank has a noncontributory, defined benefit pension plan. At December 31, 2014, the bank curtailed this plan by freezing the benefits of current employees and eliminated this benefit for future employees. In 2015, the bank retroactively modified the definition of compensation to reflect gross employee compensation consistent with past employee benefit calculations and the intent of the plan. The plan will continue to provide benefits based on each employee's accumulated benefit as of December 31, 2014. The plan provides benefits that are based on employees' five year average compensation and years of service through 2014. Our funding policy is to make annual contributions as permitted or required by regulation. Pension costs are actuarially determined and charged to expense. The bank also provides certain health care and life insurance benefits for retired employees that meet certain eligibility requirements. The bank's share of the estimated costs that will be paid after retirement is generally being accrued by charges to expense over the employees' active service periods to the dates they are fully eligible for benefits.

Stock-Based Compensation: Compensation cost is recognized for restricted stock awards issued to employees and directors based on the fair value of these awards at the date of grant. The market price of the company's common stock at the date of the grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The company's accounting policy is to recognize forfeitures as they occur.

Income Taxes: Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Valuation allowances are established when deemed necessary to reduce deferred tax assets to the amount expected to be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statements of income. No uncertain tax positions were recorded in 2021 or 2020.

Basic and Fully Diluted Earnings per Common Share: Basic and fully diluted earnings per Common share is presented on the consolidated statements of income for each class of common stock outstanding, and is computed using the two-class method based upon the weighted average shares outstanding. Non-vested shares are not considered participating securities for this calculation. We did not have any potentially dilutive securities during 2021 or 2020,

Trust Department: Assets held in an agency or fiduciary capacity by the bank's trust department are not assets of the bank and are not included in the accompanying consolidated balance sheets.

Off-Balance-Sheet Credit Related Financial Instruments: In the ordinary course of business, we may enter into commitments to extend credit, including commercial letters of credit, and standby letters of credit. These financial instruments are recorded when they are funded.

Advertising: Advertising costs are expensed as they are incurred. Advertising expenses were $31,200 and $23,111 for the years 2021 and 2020, respectively.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income/(loss). Other comprehensive income/(loss) includes unrealized gains on securities available for sale, unrealized losses related to factors other than credit on debt securities, and changes in the funded status of pension and other postretirement benefit plans which are also recognized as a separate component of equity.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the bank – put presumptively beyond reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Revenue Recognition: Most revenue associated with the company's financial instruments, including interest income, gains/losses on investment securities, and gains on sales of loans are outside the scope of ASC Topic 606, "Revenue from Contracts with Customers." The company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the company satisfies its obligation to the customer. A description of the company's primary revenue streams accounted for under ASC 606 are as follows:

- Trust Income. The company earns trust fees from contracts with trust clients to administer or manage assets for investment. Trust fees are earned over time (generally monthly) as the company provides the contracted services and are assessed based on the value of assets under management at each month-end.

- Service Fees. The company earns fees from its deposit customers for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the company satisfies the performance obligation. The company also earns fees from its customers for transaction-based services. Such services include safe deposit box rentals, ATM, stop payment and wire transfer fees. In each case, these service charges and fees are recognized in income at the time or within the same period that the company's performance obligation is satisfied. The company earns interchange fees from debit and affinity credit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services.

- Insurance Commissions and Brokerage Fees. The company earns services income by providing investment brokerage services and insurance products to its customers through third-party service providers. Fees that are transaction-based (e.g., execution of trades) are recognized on a monthly basis. Other fees, or commissions, are earned over time as the contracted monthly or quarterly services are provided and are generally assessed based on either account activity or the market value of assets under management at month or quarter end.

- Gains/Losses on Sales of OREO. The company records a gain/loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the company finances the sale of OREO to the buyer, the company assesses whether the buyer is committed to perform the obligations under the contract and whether collectability of the transaction price is probable. In determining the gain/loss on the sale, the Corporation adjusts the transaction price and the related gain/loss on sale if a significant financing component is present.

Reclassifications: Certain accounts in the consolidated financial statements for 2020, as previously presented, have been reclassified to conform to current year classifications. None of these reclassifications were of a material nature.

Recent Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued multiple updates to ASU 2016-13 as codified in Topic 326, including ASU's 2019-04, 2019-05, 2019-10, 2019-11, 2020-02, and 2020-03. These ASU's have provided for various minor technical corrections and improvements to the codification as well as other transition matters. The company is required to apply the guidance for fiscal years, and interim periods within those years, beginning after December 15, 2022. The company is currently assessing the impact that ASU 2016-13 will have on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022. Subsequently, in January 2021, the FASB issued ASU 2021-01 "Reference Rate Reform (Topic 848): Scope." This ASU clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The ASU also amends the expedients and exceptions in Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. An entity may elect to apply ASU 2021-01 on contract modifications that change the interest rate used for margining, discounting, or contract price alignment retrospectively as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications from any date within the interim period that includes or is subsequent to January 7, 2021, up to the date that financial statements are available to be issued. An entity may elect to apply ASU 2021-01 to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020, and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. The company does not expect the adoption of ASU 2020-04 or 2021-01 to have a material impact on its consolidated financial statements.

In August 2021, the FASB issued ASU 2021-06, "'Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. This ASU incorporates recent SEC rule changes into the FASB Codification, including SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants". The ASU is effective upon addition to the FASB Codification. The company does not expect the adoption of ASU 2021-06 to have a material impact on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers". The ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The ASU is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2022. Entities should apply the amendments prospectively and early adoption is permitted. The company does not expect the adoption of ASU 2021-08 to have a material impact on its consolidated financial statements.

Recently Adopted Accounting Pronouncements: In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the previous two-step impairment test. Under the new guidance, if a reporting unit's carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard eliminates the prior requirement to calculate a goodwill impairment charge using Step 2, which requires an entity to calculate any impairment charge by comparing the implied fair value of goodwill with its carrying amount. ASU 2017-04 was effective for the company on January 1, 2021. There was not material impact to the company's consolidated financial statements because of adopting ASU 2017-04.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes." The ASU is expected to reduce cost and complexity related to the accounting for income taxes by removing specific exceptions to general principles in Topic 740 (eliminating the need for an organization to analyze whether certain exceptions apply in a given period) and improving financial statement preparers' application of certain income tax-related guidance. This ASU is part of the FASB's simplification initiative to make narrow-scope simplifications and improvements to accounting standards through a series of short-term projects. ASU 2019-12 was effective for the company on January 1, 2021. There was not material impact to the company's consolidated financial statements because of adopting ASU 2019-12.

In January 2020, the FASB issued ASU 2020-01, "Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The ASU is based on a consensus of the Emerging Issues Task Force and is expected to increase comparability in accounting for these transactions. ASU 2020-01 made targeted improvements to accounting for financial instruments, including providing an entity the ability to measure certain equity securities without a readily determinable fair value at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Among other topics, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting. ASU 2020-01 was effective for the company on January 1, 2021. There was not material impact to the company's consolidated financial statements because of adopting ASU 2020-01.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable fees and Other Costs." This ASU clarifies that an entity should reevaluate whether a callable debt security is within the scope of ASC paragraph 310-20-35-33 for each reporting period. ASU 2020-08 was effective for the company on January 1, 2021. There was not material impact to the company's consolidated financial statements because of adopting ASU 2020-08.

In December 2020, the Consolidated Appropriates Act of 2021 ("CAA") was passed. Under Section 541 of the CAA, Congress extended or modified many of the relief programs first created by the CARES Act, including the PPP loan program and treatment of certain loan modifications related to the COVID-19 pandemic. Refer to Note 6 of these consolidated financial statements for information regarding the company's loan modifications related to COVID-19.

Note 2. Supplemental Disclosures of Cash Flow Information

	Years Ended December 31,	
	2021	2020
Cash payments for:		
Interest on deposits and on other borrowings	$ 1,206,772	$ 1,837,045
Income taxes	$ 1,807,464	$ 1,483,094
Supplemental schedule of noncash investing and financing activities		
Other real estate and other assets acquired in settlement of loans	$ 101,934	$ 2,352,914
Unrealized gain/(loss) on securities available for sale	$ (926,096)	$ 348,261
Minimum pension and other post-retirement liability adjustment	$ 798,697	$ (372,255)

	Years Ended December 31,	
	2021	2020
Non-cash transactions related to branch acquisition		
Assets acquired:		
Loans	$ 6,043,144	$ -
Bank premises and equipment	1,784,167	-
Other assets	16,246	-
Liabilities assumed:		
Deposits	$ 90,000,890	$ -
Repurchase agreements	13,048,594	-
Other liabilities	39,518	-

Note 3. Goodwill and Other Intangible Assets

On December 26, 2014, the company acquired the assets of Reliance Mortgage Company. Reliance was a local mortgage brokerage company based in Elkins, West Virginia that originated fixed rate mortgages throughout the state. Mortgages originated by Reliance were sold to other financial institutions following origination. Operations began in January 2015. Goodwill of $549,200 is included in the consolidated balance sheet for 2021 and 2020. Goodwill is being deducted for federal income tax purposes.

On December 10, 2021 the company acquired certain assets and liabilities of two branches of Community Bank in Buckhannon and New Martinsville, West Virginia. That acquisition transaction resulted in recording goodwill of $2,203,848. Total goodwill included in the consolidated balance sheet is $2,753,048 and $549,200 at December 31 2021 and 2020, respectively. Goodwill is being deducted for federal income tax purposes.

The following table provides a preliminary assessment of the consideration transferred, assets acquired, and liabilities assumed as of the date of the acquisition:

Consideration Paid	
Cash	$ 5,202,776
Assets Acquired	
Cash	95,952,092
Loans	6,043,144
Bank premises and equipment	1,784,167
Core deposit intangible	2,292,281
Other assets	16,246
Total assets	106,087,930
Liabilities Assumed	
Deposits	90,000,890
Repurchase agreements	13,048,594
Other liabilities	39,518
Total liabilities	103,089,002
Net Assets Acquired	2,998,928
Goodwill	$ 2,203,848

Acquired Intangible Assets: Acquired intangible assets were as follows at year-end:

	2021	
	Gross Carrying Amount	**Accumulated Amortization**
Amortized intangible asset:		
Core deposit intangible	$ 2,292,281	$ -

There was no amortization expense for 2021 and 2020. The core deposit intangible will be amortized over its estimated life of nine years resulting in $254,700 of annual expense beginning in 2022.

Note 4. Securities

The amortized cost, unrealized gains, unrealized losses and estimated fair values of securities at December 31, 2021 and 2020, are summarized below. All such securities are classified as available for sale.

	2021			
	Amortized	Unrealized		
	Cost	Gains	Losses	Fair Value
U.S. Government agencies and corporations	$ 42,797,926	$ 24,406	$ 581,531	$ 42,240,801
U.S. Treasury obligations	30,887,186	5,316	135,459	30,757,043
Mortgage backed securities - U.S. Gov't agencies and corp.	3,455,063	169,882	-	3,624,945
Tax exempt state and political subdivisions	1,000,000	3,600	-	1,003,600
Taxable state and political subdivisions	1,491,009	35,431	-	1,526,440
Total securities available for sale	$ 79,631,184	$ 238,635	$ 716,990	$ 79,152,829

	2020			
	Amortized	Unrealized		
	Cost	Gains	Losses	Fair Value
U.S. Government agencies and corporations	$ 3,518,945	$ 60,864	$ 193	$ 3,579,616
Mortgage backed securities - U.S. Gov't agencies and corp.	4,329,481	307,018	-	4,636,499
Tax exempt state and political subdivisions	1,000,000	3,290	-	1,003,290
Taxable state and political subdivisions	1,489,768	76,762	-	1,566,530
Total securities available for sale	$ 10,338,194	$ 447,934	$ 193	$ 10,785,935

The tables which follow provide summaries of securities which were in an unrealized loss position deemed not to be other-than-temporarily impaired at December 31, 2021 and 2020, all of which are available for sale. As of December 31, 2021, thirteen securities had a total fair value of $ 44,309,582 and carried unrealized losses of $716,990 or 1.62%. There were two securities in a continuous loss position for the past 12 months. As of December 31, 2020, one security had a total fair value of $499,807 and carried an unrealized loss of $193 or .04%. An impairment is considered "other than temporary" if any of the following conditions are met: the company intends to sell the security, it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, or the company does not expect to recover the security's entire amortized cost (even if the entity does not intend to sell). In the event that a security would suffer an impairment for a reason that was "other than temporary," the company would be expected to write down the security's value to its new fair value, and the amount of the write down would be included in earnings as a realized loss. The company does not intend to sell any securities; additionally, it is more likely than not that the company will not be required to sell any securities before recovery of its amortized cost basis, and the company expects to recover all of its securities' amortized cost basis.

	2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies and corp.	$ 26,968,246	$ 503,073	$ 1,920,242	$ 78,458	$ 28,888,488	$ 581,531
U.S. Treasury obligations	15,421,094	135,459	-	-	15,421,094	135,459
Mortgage backed securities - U.S. Gov't agencies and corporations	-	-	-	-	-	-
Tax Exempt state and political subdivision	-	-	-	-	-	-
Taxable state and political subdivisions	-	-	-	-	-	-
Total	$ 42,389,340	$ 638,532	$ 1,920,242	$ 78,458	$ 44,309,582	$ 716,990

	2020					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies and corp.	$ 499,807	$ 193	$ -	$ -	$ 499,807	$ 193
Mortgage backed securities - U.S. Gov't agencies and corporations	-	-	-	-	-	-
Tax Exempt state and political subdivision	-	-	-	-	-	-
Taxable state and political subdivisions	-	-	-	-	-	-
Total	$ 499,807	$ 193	$ -	$ -	$ 499,807	$ 193

The maturities of securities at December 31, 2021 are summarized as follows:

	Amortized Cost	Fair Value
Due within one year	$ 22,736	$ 22,989
Due after one through five years	55,914,910	55,634,666
Due after five through ten years	23,693,538	23,495,174
Total	$ 79,631,184	$ 79,152,829

Mortgage backed securities have remaining contractual maturities ranging from 0.92 to 12.92 years and are reflected in the maturity distribution schedule based on their anticipated average life to maturity, which ranges from 0.35 to 5.51 years. Accordingly, discounts are accreted and premiums are amortized over the anticipated life to maturity of the specific obligation.

The proceeds from sales, calls and maturities of securities, principal payments received on mortgage backed securities, and the related gross gains and losses realized are as follows:

	Proceeds From			Gross Realized	
Years Ended December 31,	**Sales**	**Calls and Maturities**	**Principal Payments**	**Gains**	**Losses**
2021	$ -	$ 2,000,078	$ 1,054,653	$ -	$ -
2020	$ -	$ 8,615,000	$ 781,068	$ 1,097	$ -

At December 31, 2021 and 2020, securities with amortized costs of $32,618,773 and $9,215,420, respectively, and estimated fair values of $32,312,145 and $9,543,449, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes required or permitted by law. At December 31, 2021 and 2020, the company's securities portfolio had no concentrations within any specific industry or issuer.

The company's restricted investments totaled $4,714,700 and $4,142,700 at December 31, 2021 and 2020, respectively. These securities represent the company's equity investment in the Federal Home Loan Bank of Pittsburgh (FHLB). FHLB stock is generally viewed as a long term investment and as a restricted investment security which is carried at cost, because there is no market for the stock other than the FHLB or member institutions. Therefore, when evaluating FHLB stock for impairment, its value is based on ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Note 5. Loans

The major classes of loans are summarized as follows:

	December 31, 2021	December 31, 2020
Commercial non real estate		
Commercial and industrial	$ 25,901,924	$ 29,379,453
Commercial real estate		
Construction	2,040,853	320,714
Other	55,721,533	39,429,076
Residential real estate		
Construction	358,146	726,366
Mortgage	91,889,296	94,248,696
Equity line	6,711,326	5,924,608
Consumer		
Autos and recreational vehicles	86,085,149	69,889,444
Other	2,657,600	1,969,427
Tax-exempt		
State and political subdivisions	20,334,630	12,567,937
Total loans	291,700,457	254,455,721
Allowance for loan losses	(3,685,013)	(3,037,318)
Net deferred loan origination fees and costs	1,775,770	1,376,476
Loans, net	$ 289,791,214	$ 252,794,879

Included in the previous balance of net loans are nonaccrual loans of $735,650 and $1,521,783 at December 31, 2021 and 2020, respectively. Additional information on nonaccrual loans may be found in Note 6. Deposit accounts in an overdraft status totaling $76,358 and $33,783 at December 31, 2021 and 2020, respectively, were reclassified as loans and included in the previous table. During 2021 and 2020, the company originated 272 and 348 loans, respectively, with balances of $3,380,854 and $8,982,376 at December 31, 2021 and 2020, respectively, under the Small Business Administration's Paycheck Protection Program. These unsecured loans are guaranteed by the SBA and are classified as commercial and industrial loans by the company with no related allowance for loan losses.

Note 6. Allowance for Loan Losses

An analysis of the allowance for loan losses and the recorded investment in loans for the years ended December 31, 2021 and 2020 are presented below:

	For the Year Ended December 31, 2021						
	Commercial Non Real Estate	Commercial Real Estate	Residential Real Estate	Consumer	Tax-Exempt	Unallocated	Total
Allowance for Loan Losses:							
Beginning Balance	$ 352,266	$ 563,946	$ 624,283	$ 1,201,715	$ 195,108	$ 100,000	$ 3,037,318
Charge-offs	(17,767)	-	-	(113,519)	-	-	(131,286)
Recoveries	742	161,924	46,885	69,430	-	-	278,981
Provision/(recovery)	450,809	78,306	(361,433)	212,232	79,149	40,937	500,000
Ending Balance	$ 786,050	$ 804,176	$ 309,735	$ 1,369,858	$ 274,257	$ 140,937	$ 3,685,013
Ending Balance: individually evaluated for impairment	$ 501,513	$ -	$ -	$ -	$ -		$ 501,513
Ending Balance: collectively evaluated for impairment	$ 284,537	$ 804,176	$ 309,735	$ 1,369,858	$ 274,257	$ 140,937	$ 3,183,500
Loans:							
Ending Balance: individually evaluated for impairment	$ 732,996	$ -	$ -	$ -	$ -		$ 732,996
Ending Balance: collectively evaluated for impairment	$ 25,168,928	$ 57,762,386	$ 98,958,768	$ 88,742,748	$ 20,334,631		$ 290,967,461

	For the Year Ended December 31, 2020						
	Commercial Non Real Estate	Commercial Real Estate	Residential Real Estate	Consumer	Tax-Exempt	Unallocated	Total
Allowance for Loan Losses:							
Beginning Balance	$ 199,342	$ 831,875	$ 480,228	$ 852,012	$ 131,026	$ 37,931	$ 2,532,414
Charge-offs	(45,663)	(217,971)	(59,768)	(283,845)	-	-	(607,247)
Recoveries	-	2,500	3,742	53,597	-	-	59,839
Provision/(recovery)	198,587	(52,458)	200,081	579,951	64,082	62,069	1,052,312
Ending Balance	$ 352,266	$ 563,946	$ 624,283	$ 1,201,715	$ 195,108	$ 100,000	$ 3,037,318
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -		$
Ending Balance: collectively evaluated for impairment	$ 352,266	$ 563,946	$ 624,283	$ 1,201,715	$ 195,108	$ 100,000	$ 3,037,318
Loans:							
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -		$ -
Ending Balance: collectively evaluated for impairment	$ 29,379,453	$ 39,749,790	$ 100,899,670	$ 71,858,871	$ 12,567,937		$ 254,455,721

The following table provides an age analysis of past due loans for the years ended December 31, 2021 and 2020:

	As of December 31, 2021						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due and Still Accruing
Commercial non real estate							
Commercial & industrial	$ 362,335	$ -	$ -	$ 362,335	$ 25,539,589	$ 25,901,924	$ -
Commercial real estate							
Construction	-	-	-	-	2,040,853	2,040,853	-
Other	3,133,358	-	684,820	3,818,178	51,903,355	55,721,533	
Residential real estate							
Construction	-	-	-	-	358,146	358,146	-
Mortgage	1,245,688	122,514		1,368,202	90,521,094	91,889,296	
Equity line	-	-	-	-	6,711,326	6,711,326	-
Consumer							
Autos and RVs	670,510	188,100	2,654	861,264	85,223,885	86,085,149	
Other	3,776	-	-	3,776	2,653,824	2,657,600	-
Tax-exempt							
State and political sub.	-	-	-	-	20,334,630	20,334,630	-
Total	$ 5,415,667	$ 310,614	$ 687,474	$ 6,413,755	$ 285,286,702	$ 291,700,457	$ -

	As of December 31, 2020						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	90 Days Past Due and Still Accruing
Commercial non real estate							
Commercial & industrial	$ -	$ 114,054	$ -	$ 114,054	$ 29,265,399	$ 29,379,453	$ -
Commercial real estate							
Construction	-	-	-	-	320,714	320,714	-
Other	-	-	151,496	151,496	39,277,580	39,429,076	
Residential real estate							
Construction	-	-	-	-	726,366	726,366	-
Mortgage	1,214,608	539,657	564,560	2,318,825	91,929,871	94,248,696	-
Equity line	37,694	-	-	37,694	5,886,914	5,924,608	-
Consumer							
Autos and RVs	725,330	151,641	64,642	941,613	68,947,831	69,889,444	21,318
Other	4,732	-	-	4,732	1,964,695	1,969,427	-
Tax-exempt							
State and political sub.	-	-	-	-	12,567,937	12,567,937	-
Total	$ 1,982,364	$ 805,352	$ 780,698	$ 3,568,414	$ 250,887,307	$ 254,455,721	$ 21,318

The following table provides a summary of the loans in nonaccrual status:

	Loans in a Nonaccrual Status As of December 31, 2021	2020
Commercial non real estate		
Commercial & industrial	$ 732,996	$ -
Commercial real estate		
Construction	-	-
Other	-	151,496
Residential real estate		
Construction	-	-
Mortgage	-	1,163,516
Equity line	-	-
Consumer		
Autos and RVs	2,654	206,771
Other	-	-
Tax-exempt		
State and political subdivisions	-	-
Total	$ 735,650	$ 1,521,783

All classes of loans are considered impaired when, based on current information and events, it is probable that the company will be unable to collect the scheduled payments when due according to the contractual terms of the loan agreement. These loans are assigned internal loan grades of substandard, doubtful, or loss. In addition to nonperforming commercial loans, impaired loans also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These loans are assigned internal loan grades of special mention, substandard, doubtful, or loss. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

There were no impaired loans as of December 31, 2020 with limited activity during the year.

The following table provides information on impaired loans at December 31, 2021:

	Impaired Loans For the Year Ended December 31, 2021				
With a reserve recorded:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
Commercial non real estate					
Commercial & industrial	$ 732,996	$ 732,996	$ 501,513	$ 814,004	$ 55,960

The recorded investment column in the previous table reflects the unpaid principal balance of each loan net of partial charge-offs and unrecognized interest income.

There were no troubled debt restructurings as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, there were no commitments to lend additional funds to loans modified in a troubled debt restructuring. There were no loans modified into troubled debt restructurings during 2021 or 2020.

Additionally, the company worked with borrowers impacted by COVID-19 and provided modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. As of December 31, 2021, all modifications had returned to current status. As of December 31, 2020, the company modified 182 loans with outstanding balances of $22,350,425.

There were no troubled debt restructurings that subsequently had a payment default during 2021 or 2020 that had been restructured during the 12 month period preceding the default. In this case, default is defined as a situation in which one or more payments were past due at least 60 days after the restructuring was executed.

Credit Quality Indicators: Our policy requires that credit quality is monitored on an ongoing basis. For commercial, commercial real estate, and tax-exempt loans, management assigns internal grades to each credit. These grades are updated quarterly in conjunction with our analysis of the allowance for loan losses. A description of certain loan grades and how they relate to the likelihood of loss is presented below:

- Pass: These include satisfactory loans which may have elements of risk that the bank has chosen to monitor formally. The objective of monitoring is to assure that no weaknesses develop in these loans.

- Special Mention: These loans have a potential weakness that requires management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank's credit position at some future date. These credits do not expose the bank to sufficient risk to warrant further adverse classification.

- Substandard: A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as such must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

- Doubtful: Loans classified doubtful have all the weaknesses inherent in a substandard asset with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable, and improbable.

- Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as a bankable asset is not warranted.

The following tables provide details about credit quality indicators for commercial, commercial real estate, and tax-exempt loans as of December 31, 2021 and 2020:

Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	Commercial Non Real Estate Commercial & Industrial		Commercial Real Estate Construction		Commercial Real Estate Other	
	2021	2020	2021	2020	2021	2020
Grade:						
Pass or higher	25,168,928	$ 28,406,702	$ 2,040,853	$ 320,714	$ 52,588,175	$ 39,277,580
Special Mention	-	-	-	-	3,133,358	-
Substandard	732,996	972,751	-	-	-	151,496
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	$ 25,901,924	$ 29,379,453	$ 2,040,853	$ 320,714	$ 55,721,533	$ 39,429,076

	Tax Exempt State and Political Subdivisions	
	2021	2020
Grade:		
Pass or higher	$ 20,334,630	$ 12,567,937
Special Mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
Total	$ 20,334,630	$ 12,567,937

Residential real estate and consumer loans are monitored based on payment performance on an ongoing basis. Loans are considered nonperforming if they are 90 days or more past due and/or if they are on a nonaccrual status. The following tables provide details about credit quality indicators for residential and consumer loans as of December 31, 2021 and 2020:

	Credit Exposure Credit Risk Profile Based on Payment Activity					
	Residential Real Estate Construction		Residential Real Estate Mortgage		Residential Real Estate Equity Line	
	2021	2020	2021	2020	2021	2020
Performing	$ 358,146	$ 726,366	$ 91,889,296	$ 91,929,871	$ 6,711,326	$ 5,886,914
Nonperforming	-	-	-	2,318,825	-	37,694
Total	$ 358,146	$ 726,366	$ 91,889,296	$ 94,248,696	$ 6,711,326	$ 5,924,608

	Consumer Installment Autos and RVs		Consumer Installment Other	
	2021	2020	2021	2020
Performing	$ 86,082,495	$ 68,947,831	$ 2,657,600	$ 1,964,695
Nonperforming	2,654	941,613	-	4,732
Total	$ 86,085,149	$ 69,889,444	$ 2,657,600	$ 1,969,427

Note 7. Bank Premises and Equipment

The major categories of bank premises and equipment and accumulated depreciation at December 31, 2021 and 2020 are summarized as follows:

	2021	2020
Land	$ 2,926,854	$ 1,746,854
Buildings and improvements	7,248,483	6,650,070
Furniture and equipment	2,871,184	2,437,740
Total bank premises and equipment	13,046,521	10,834,664
Less accumulated depreciation	5,124,630	4,850,303
Bank premises and equipment, net	$ 7,921,891	$ 5,984,361

Depreciation expense for the years ended December 31, 2021 and 2020 totaled $332,334 and $297,453, respectively.

Note 8. Deposits

The following is a summary of interest bearing deposits by type as of December 31, 2021 and 2020:

	2021	2020
Interest bearing checking accounts	$ 127,173,937	$ 86,155,263
Money market accounts	28,692,905	8,149,117
Savings accounts	85,756,735	47,690,668
Certificates of deposit under $250,000	53,133,148	45,777,063
Certificates of deposit of $250,000 or more	8,568,267	7,822,636
Fair value adjustment for acquired certificates of deposit	249,409	-
Total	$ 303,574,401	$ 195,594,747

Interest expense on deposits is summarized below:

	2021	2020
Interest bearing checking accounts	$ 479,517	$ 480,282
Money market accounts	22,136	14,561
Savings accounts	89,396	77,086
Certificates of deposit	454,842	876,720
Total	$ 1,045,891	$ 1,448,649

As of December 31, 2021 and 2020, the bank had no depositors which had deposits in excess of 5% of total deposits.

A summary of the maturities for all time deposits as of December 31, 2021, follows:

Year	Amount
2022	$ 34,810,782
2023	13,972,646
2024	7,161,438
2025	2,826,977
2026	2,732,561
2027 and thereafter	197,011
Total	$ 61,701,415

Note 9. Income Taxes

The company files income tax returns in the U.S. federal jurisdiction and the state of West Virginia. With few exceptions, the company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2018. The components of applicable income tax expense for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Current:		
Federal	$ 983,904	$ 1,072,829
State	190,220	193,788
	1,174,124	1,266,617
Deferred:		
Federal	273,507	(135,344)
State	54,571	(27,004)
	328,078	(162,348)
Total	$ 1,502,202	$ 1,104,269

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled. The tax effects of temporary differences which give rise to the company's deferred tax assets and liabilities as of December 31, 2021 and 2020, are as follows:

	2021	2020
Deferred tax assets:		
Allowance for loan losses	$ 784,214	$ 658,264
Employee benefit plans	823,394	983,851
Intangibles and goodwill	9,198	27,638
Interest on nonaccrual loans	8,741	14,890
Valuation allowance for other real estate held for sale	-	445,340
Net unrealized loss on securities	120,498	-
Net loan origination fees and costs	225,446	206,166
	1,971,491	2,336,149
Deferred tax liabilities:		
Accretion on securities	(2,394)	(920)
Net unrealized gains on securities	-	(112,787)
Depreciation	(489,398)	(446,757)
	(491,792)	(560,464)
Net deferred tax asset	$ 1,479,699	$ 1,775,685

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying the statutory income tax rate by book pretax income for the years ended December 31, 2021 and 2020, is as follows:

	2021		2020	
	Amount	Percent	Amount	Percent
Computed tax at applicable statutory rate	$ 1,531,905	21.0%	$ 1,136,960	21.0%
Decrease in taxes resulting from:				
Tax-exempt interest	(161,464)	(2.2)	(130,108)	(2.4)
State income taxes, net of federal tax benefit	193,385	2.7	31,759	2.4
Tax exempt income on life insurance contracts	(64,194)	(0.9)	(34,887)	(0.6)
Other	2,570	(0.0)	545	(0.0)
Applicable income taxes	$ 1,502,202	20.6%	$ 1,104,269	20.4%

Note 10. Employee Benefit Plans

The bank offers a number of benefit plans to its employees and directors. Among them are pension and other postretirement benefit plans which are described below.

Pension Plan: The bank implemented a plan freeze, effective December 31, 2014, in which no future benefit accruals will occur. Current participants in the plan will maintain their current benefit accrual based on years of service and compensation levels through 2014. No additional service credit or compensation increases will be credited to plan's benefits. The plan will provide benefits based on the participant's years of service and five-year average compensation through 2014. In 2015, the bank retroactively modified the definition of compensation to reflect gross employee compensation consistent with past employee benefit calculations and the intent of the plan. Our funding policy is to make annual contributions as permitted or required by applicable regulations.

401(k) Plan: A 401(k) profit sharing plan is provided for the benefit of all employees who have attained the age of 21. The plan allows participating employees to contribute amounts up to the limits set by the Internal Revenue Service. The bank provides an employee safe harbor match in which the bank matches employee contributions at a rate of 100% of the first 3% of compensation and 50% of the next 2% of compensation. In addition, the plan permits the bank to make discretionary matching contributions to the plan in such amount as the Board may determine to be appropriate. Contributions of $128,037 and $123,442 were made to the plan by the bank for the years ended December 31, 2021 and 2020, respectively.

Executive Supplemental Income Plan: The bank entered into a nonqualified executive supplemental income plan with certain officers. The plan provides predetermined fixed monthly income for a period of 180 months to the participants upon retirement. It is funded by life insurance contracts which the bank purchased. The bank has been named the beneficiary of those contracts. The liability accrued under this plan at December 31, 2021 and 2020 was $32,093 and $37,996, respectively. The cash surrender values of the underlying insurance contracts at those same dates were $569,195 and $542,148 and are reflected in the Consolidated Balance Sheets as bank owned life insurance. Expenses/(benefits) of the plan, net of income for the increase in the cash surrender value and life insurance proceeds received in excess of cash surrender value, were $(9,600) in 2021 and $(10,939) in 2020.

Executive and Director Supplemental Retirement Plan: The bank entered into a non-qualified supplemental executive and director retirement plan with various officers and directors of the bank which provides them with income benefits payable at retirement age or death. In connection with this plan, the bank purchased life insurance contracts to fund the retirement and death benefits. These contracts are not assets of the plan but are instead owned by the bank and had cash surrender values of $4,952,368 and $5,062,739 at December 31, 2021 and 2020, respectively and are reflected in the Consolidated Balance Sheets as bank owned life insurance. Liabilities under the plan were $1,142,736 and $1,142,933 at December 31, 2021 and 2020, respectively and are reflected in other liabilities in the Consolidated Balance Sheets. Expenses/(benefits) of the plan, net of income for the increase in the cash surrender value and the life insurance proceeds received in excess of cash surrender value, were $(204,199) in 2021 and $(112,181) in 2020.

Stock-Based Compensation: The company provides stock-based compensation to certain key executives and directors as described below. The Stock Award Incentive Plan (Plan) provides for the issuance of shares to directors and certain key officers to assist the company in recruiting and retaining individuals. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the stock was determined using closing market price of the company's common stock on the grant date. Plan shares vest on the each anniversary of the grant date. Total shares issuable under this plan are 85,000 with 65,000 shares remaining available for grant at December 31, 2021. No restricted shares were granted in 2020.

A summary of changes in the Bank's nonvested shares for the year follows:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested Shares at January 1, 2021	-	$ -
Granted	20,000	15.42
Vested	(5,600)	16.56
Forfeited	-	-
Nonvested Shares at December 31, 2021	14,400	$ 14.98

As of December 31, 2021, there was $215,712 of total unrecognized compensation cost related to nonvested shares granted under the Plan. The cost is expected to be recognized over a weighted–average period of four years. The total fair value of shares vested during the year ended December 31, 2021 was $92,728.

Postretirement Healthcare and Life Insurance Plan: The bank sponsors a postretirement healthcare plan and a postretirement life insurance plan for retired employees that meet certain eligibility requirements. Both plans are contributory with retiree contributions that are adjustable based on various factors, some of which are discretionary. These factors are intended to hold constant the maximum monthly benefit of $100 payable per eligible retiree for postretirement health care. Accordingly, an assumed 1 percentage point increase or decrease in healthcare cost trend rates would not impact the healthcare plan's accumulated postretirement benefit obligation or the aggregate of the plans service and interest costs. Both the healthcare plan and life insurance plan are unfunded. The company curtailed its postretirement healthcare and life insurance plan during 2009. This curtailment eliminated this benefit for most of the company's employees.

The following presentation discloses pension and other postretirement benefits for December 31, 2021 and 2020.

Obligations and Funded Status	**Pension Benefits**		**Other Benefits**	
	2021	**2020**	**2021**	**2020**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 8,968,973	$ 8,305,887	$ 305,112	$ 300,582
Service cost	-	-	-	-
Interest cost	218,654	262,264	4,644	7,201
Actuarial loss (gain)	42,865	161,122	(9,224)	29,770
Benefits paid	(412,167)	(373,440)	(30,493)	(32,441)
Change in assumptions	(336,136)	613,140		-
Benefit obligation at end of year	$ 8,482,189	$ 8,968,973	$ 270,039	$ 305,112
Change in plan assets				
Fair value of plan assets at beginning of year	$ 6,549,292	$ 5,852,089	$ -	$ -
Actual return on plan assets	521,201	499,643	-	-
Employer contribution	-	571,000	30,493	32,441
Benefits paid	(412,167)	(373,440)	(30,493)	(32,441)
Fair value of plan assets at end of year	$ 6,658,326	$ 6,549,292	$ -	$ -
Funded status	$ (1,823,863)	$ (2,419,681)	$ (270,039)	$ (305,112)
Amounts recognized on consolidated balance sheets as:				
Prepaid (accrued) benefit costs	$ 1,696,488	$ 1,888,226	$ (232,032)	$ (255,964)
Amounts recognized in accumulated other comprehensive loss consist of:				
Net actuarial (loss)	$ (3,520,351)	$ (4,307,907)	$ (38,007)	$ (49,148)

The accumulated benefit obligation of our pension plan was $8,482,189 and $8,968,973 at December 31, 2021 and 2020, respectively.

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Other Comprehensive Loss

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Net periodic benefit cost:				
Service cost	$ -	$ -	$ -	$ -
Interest cost	218,654	262,264	4,644	7,201
Expected return on plan assets	(424,516)	(400,210)	-	-
Amortization of prior service cost	90,595	90,595	-	-
Amortization of net loss/(gain)	307,005	242,478	1,917	(729)
Net periodic benefit cost	191,738	195,127	6,561	6,472
Other changes in plan assets and benefit obligations recognized in other comprehensive (income)/loss:				
Net (gain)/loss for period	$ (389,956)	$ 674,829	$ (9,224)	$ 29,770
Amortization of prior service cost	(90,595)	(90,595)	-	-
Amortization of net (loss)/gain	(307,005)	(242,478)	(1,917)	729
Total recognized in other comprehensive (income)/loss	(787,556)	341,756	(11,141)	30,499
Total recognized in net periodic benefit cost and total comprehensive (income) loss	$ (595,818)	$ 536,883	$ (4,580)	$ 36,971

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $330,742.

Assumptions

	Pension Benefits		Other Benefits	
	2021	2020	2021	2020
Weighted-average assumptions used to determine net periodic benefit cost:				
Discount rate	2.50%	3.24%	1.70%	2.69%
Expected long-term return on plan assets	6.75%	6.75%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Weighted-average assumptions used to determine benefit obligations				
Discount rate	2.83%	2.50%	2.23%	1.70%
Rate of compensation increase	N/A	N/A	N/A	N/A

The expected long-term rate of return for the pension plan is based on the expected return of each of the plan's asset categories (detailed in the following table), weighted based on the median of the target allocation of each category.

Plan Assets

	Pension Benefits		
	Target Allocation	Percentage of Plan Assets at December 31,	
	2021	2021	2020
Asset category:			
Cash	5%	4%	9%
Fixed Income	25%	54%	20%
Alternative Investments	15%	15%	19%
Domestic Equities	35%	14%	26%
Foreign Equities	20%	10%	25%
Real Estate Investment Trusts	0%	3%	1%
Total	100%	100%	100%

Investment Policy and Strategy

The policy, as established by the Pension Committee, is to invest assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The overall investment return goal is to achieve a return greater than a blended mix of stated indices tailored to the same asset mix of the plan assets, by 0.5% after fees over a rolling five year moving average basis.

Allowable assets include cash equivalents, fixed income securities, equity securities, mutual funds, hedge funds, exchange traded index funds, and GICs. Prohibited investments include, but are not limited to, private placements, limited partnerships, venture capital investments, direct investment in private real estate properties, and residual remics. Unless a specific derivative security is allowed per the plan document, permission must be sought from the Pension Committee to include such investments. Prohibited transactions include, but are not limited to, short selling and margin transactions.

In order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed more than 15% of the total plan assets, and no more than 25% of the total plan assets should be invested in any one industry (other than securities of the U.S. Government or Agencies). Additionally, no more than 30% of the plan assets shall be invested in foreign securities (both equity & fixed).

Fair Value

The fair value of the company's pension plan assets at December 31, 2021 and 2020, by asset category are as follows:

		Fair Value Measurements Using		
Asset Category	**Balance as of December 31, 2021**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 268,852	$ 268,852	$ -	$ -
Equity securities				
U.S. companies	946,854	946,854	-	-
International companies	701,278	701,278	-	-
Fixed income securities				
U.S. Government and government sponsored entities	745,296	-	745,296	-
Mutual funds	352,168	-	352,168	-
Mortgage-backed securities	14,868	-	14,868	-
U.S. corporate bonds	2,497,557	-	2,497,557	-
Real Estate Investment Trusts	165,661	-	165,661	-
Hedge Funds	965,792	-	-	965,792
Total	$ 6,658,326	$ 1,916,984	$ 3,775,550	$ 965,792

Asset Category	Balance as of December 31, 2020	Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 569,971	$ 569,971	$ -	$ -
Equity securities				
U.S. companies	1,744,944	1,744,944	-	-
International companies	1,633,796	1,633,796	-	-
Fixed income securities				
U.S. Government and government sponsored entities	416,474	-	416,474	-
Mutual funds	343,312	-	343,312	-
Mortgage-backed securities	52,938	-	52,938	-
U.S. corporate bonds	488,568	-	488,568	-
Real Estate Investment Trusts	60,525	-	60,525	-
Hedge Funds	1,238,764	-	-	1,238,764
Total	$ 6,549,292	$ 3,948,711	$ 1,361,817	$ 1,238,764

The following table summarizes the activity for plan assets measured at fair value using level 3 inputs as of December 31, 2021 and 2020.

	Hedge Funds
Balance at December 31, 2019	$ 875,812
Purchases, sales and settlements, net	259,019
Unrealized gains/(losses)	103,933
Balance at December 31, 2020	$ 1,238,764
Purchases, sales and settlements, net	(322,804)
Unrealized gains/(losses)	49,832
Balance at December 31, 2021	$ 965,792

Cash Flows

Contributions: Our 2022 expected pension and other post retirement plan contributions are $0 and $30,728 respectively.

Estimated Future Benefits Payments: The following benefit payments, which reflect future service, are expected to be paid:

	Pension Benefits	Other Benefits
2022	$ 431,804	$ 30,728
2023	448,603	28,530
2024	474,989	26,454
2025	469,298	24,481
2026	477,130	22,596
2027 – 2031	2,343,248	89,669

Note 11. Borrowings

Short-Term Borrowings: During 2021 and 2020, our short-term borrowings consisted of securities sold under agreements to repurchase (repurchase agreements). Interest is paid on the repurchase agreements based on either fixed or variable rates as determined upon origination. At December 31, 2021 and 2020, securities with an amortized cost of $19,000,356 and $6,449,834, respectively, and estimated fair values of $18,794,069 and $6,580,035, respectively, were pledged to secure the repurchase agreements. As a member of the FHLB, the bank has access to various lines of credit under programs administered by the FHLB. Borrowings under these arrangements bear interest at the interest rate posted by the FHLB on the day of the borrowing and are subject to change daily. The lines of credit are secured by a blanket lien on all unpledged and unencumbered assets.

The following information is provided relative to our short-term borrowing obligations:

	Repurchase Agreements
2021	
Amount outstanding at December 31	$ 19,000,356
Weighted average interest rate at December 31	0.13%
Maximum month-end amount outstanding	$ 19,000,356
Average daily amount outstanding	$ 7,078,521
Weighted average interest rate for the year	0.11%
2020	
Amount outstanding at December 31	$ 5,884,443
Weighted average interest rate at December 31	0.10%
Maximum month-end amount outstanding	$ 7,841,876
Average daily amount outstanding	$ 6,558,408
Weighted average interest rate for the year	0.10%

Long-Term Borrowings: Long-term borrowings totaled $14,815,902 and $6,240,978 at December 31, 2021 and 2020, respectively, consist of advances from the FHLB which are used to finance specific lending or investing activities and a note with a correspondent bank used to finance the 2021 branch acquisition. The FHLB advances totaled $4,815,902 and $6,240,979 at December 31, 2021 and 2020, respectively, and carry fixed interest rates ranging from 2.22% to 3.48% while the weighted average interest rate at December 31, 2021 was 3.17%. The weighted average interest rate at December 31, 2020 was 3.16%. These borrowings are secured by a blanket lien on all unpledged and unencumbered assets.

On December 10, 2021, the company obtained a $10,000,000 loan from The Bankers' Bank of Kentucky, Inc. to provide capital support for the acquisition of two branches. Beginning March 31, 2022, the loan requires quarterly interest payments of all accrued and unpaid interest on March 31, June 30, September 30 and December 31. Beginning on December 31, 2022 and continuing on the 31st day of each December thereafter, annual principal payments of $2,000,000 are required. The loan has maturity date of December 31, 2026 and a floating rate of interest equal to the Prime Rate (3.25% as of December 31, 2021).

A summary of the maturities of the long-term borrowings for the next five years is as follows:

Year	Amount
2022	$ 2,226,883
2023	2,233,272
2024	2,239,848
2025	2,246,617
2026	2,253,586
Thereafter	3,615,696
Total	$ 14,815,902

Note 12. Commitments and Contingencies

Litigation: We are involved in various legal actions arising in the ordinary course of business. In the opinion of counsel, the outcome of these matters will not have a significant adverse effect on our financial condition or results of operations.

Financial Instruments With Off-Balance-Sheet Risk: The bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of these instruments reflect the extent of involvement the bank has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk	Contract Amount 2021	Contract Amount 2020
Commitments to extend credit	$ 23,298,000	$ 16,281,000
Standby letters of credit	20,000	85,000
Commitments to originate secondary market loans	-	-
Total	$ 23,318,000	$ 16,366,000

The bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of these instruments. The bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment or real estate.

Standby letters of credit are conditional commitments issued by the bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans. These letters of credit are generally uncollateralized.

Commitments to originate secondary market loans are agreements with an unrelated third-party in which the bank commits to originate and sell a specific amount of one-to-four family residential real estate loans to the third party within a specified time period.

Note 13. Shareholders' Equity and Restrictions on Dividends

The primary source of funds for the dividends paid by Citizens Financial Corp. is dividends received from Citizens Bank of West Virginia, Inc. Dividends paid by the bank are subject to restrictions by banking regulations. The most restrictive provision requires approval by the regulatory agencies if dividends declared in any year exceed the year's net income, as defined, plus the retained net profits of the two preceding years. At December 31, 2021, the net retained profits available for distribution to Citizens Financial Corp. as dividends without regulatory approval approximate $9,685,904 or 26.6% of consolidated net assets.

Total dividends declared during 2021 were $0.68 per common share and $0.71 per Class A Common share. Total dividends declared during 2020 were $0.61 per common share and $0.64 per Class A Common share.

The bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the bank must meet specific capital guidelines that involve quantitative measures of the bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the company and bank to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. We believe, as of December 31, 2021 and 2020, that the bank meets all capital adequacy requirements to which they are subject.

The most recent notification from the Federal Deposit Insurance Corporation categorized the bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that we believe have changed the bank's category.

The bank's actual capital amounts and ratios are presented in the following tables (in thousands).

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021:						
Total Capital:Risk Weighted Assets	$ 43,802	15.89%	$ 28,944	10.50%	27,566	10.00%
Tier I Capital:Risk Weighted Assets	40,354	14.64	23,431	8.50	22,053	8.00
Common Equity Tier 1: Risk Weighted Assets	40,354	14.64	19,296	7.00	17,918	6.50
Tier I Capital:Average Assets	40,354	10.27	15,723	4.00	19,653	5.00
As of December 31, 2020:						
Total Capital:Risk Weighted Assets	$ 37,115	16.67%	$ 23,378	10.500%	22,265	10.00%
Tier I Capital:Risk Weighted Assets	34,329	15.42	18,923	8.500	17,810	8.00
Common Equity Tier 1: Risk Weighted Assets	34,329	15.42	15,584	7.000	14,471	6.50
Tier I Capital:Average Assets	34,329	10.92	12,575	4.000	15,718	5.00

Note 14. Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participates on the measurement date.

Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the company's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The following describes the valuation techniques used by the company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements:

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2).

The following tables present the balances of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively:

		Fair Value Measurements Using		
Assets:	**Balance as of December 31, 2021**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities available for sale:				
U.S. Government agencies and corporations	$ 42,240,801	$ -	$ 42,240,801	$ -
U.S. Treasury notes	30,757,043		30,757,043	
Mortgage backed securities – U.S. Government agencies and corporations	3,624,945	-	3,624,945	-
Tax exempt state and political subdivisions	1,003,600	-	1,003,600	-
Taxable state and political subdivisions	1,526,440	-	1,526,440	-

		Fair Value Measurements Using		
Assets:	**Balance as of December 31, 2020**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities available for sale:				
U.S. Government agencies and corporations	$ 3,579,616	$ -	$ 3,579,616	$ -
Mortgage backed securities – U.S. Government agencies and corporations	4,636,498	-	4,636,498	-
Tax exempt state and political subdivisions	1,003,290	-	1,003,290	-
Taxable state and political subdivisions	1,566,530	-	1,566,530	-

Certain assets are measured at fair value on a nonrecurring basis in accordance with accounting standards. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following describes the valuation techniques used by the company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements:

Impaired Loans: Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. The measurement of loss associated with impaired loans can be based on the observable market price of the loan, the present value of cash flows expected to be realized from the loan, or the fair value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the company using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Impaired loans allocated to the Allowance for Loan Losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the consolidated statements of income.

Other real estate owned (OREO): Property acquired in satisfaction of loans is carried at fair value loss cost to sell. The value of real estate is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the company using observable market data (Level 2). However, if the real estate is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. OREO is measured at fair value on a nonrecurring basis. Any initial fair value adjustment is charged against the allowance for loan loss. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest expense on the consolidated statements of income.

The following table summarizes the company's assets that were measured at fair value on a nonrecurring basis during the period.

Assets:	Balance as of December 31, 2021	Carrying Value at December 31, 2021: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 231,483	$ -	$ -	$ 231,483
Other real estate owned	$ 926,325	$ -	$ -	$ 926,325

Assets:	Balance as of December 31, 2020	Carrying Value at December 31, 2020: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ -	$ -	$ -	$ -
Other real estate owned	$ 2,399,585	$ -	$ -	$ 2,399,585

The carrying values and estimated fair values of the company's financial instruments are summarized below:

	Carrying Value December 31, 2021	Fair Value Measurements at December 31, 2021: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Financial assets:					
Cash and due from banks	$ 5,767,912	$ 5,767,912	$ -	$ -	$ 5,767,912
Interest bearing deposits with other banks	92,588,821	92,588,521	-	-	92,588,521
Securities available for sale	79,152,829	-	79,152,829	-	79,152,829
Restricted securities	4,714,700	-	4,714,700	-	4,714,700
Loans, net	289,791,214	-	-	292,526,935	292,526,935
Accrued interest receivable	1,122,713	-	1,122,716	-	1,122,716
Bank-owned life insurance	5,521,563	-	5,521,563	-	5,521,563
Financial Liabilities:					
Deposits	$ 420,356,218	$ -	$ 420,951,139	$ -	$ 420,951,139
Short-term borrowings	19,000,356	-	19,000,356	-	19,000,356
Long-term borrowings	14,815,902	-	15,173,868	-	15,173,868
Accrued interest payable	82,700	-	82,700	-	82,700

	Carrying Value December 31, 2020	Fair Value Measurements at December 31, 2020: Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Financial assets:					
Cash and due from banks	$ 5,475,922	$ 5,475,922	$ -	$ -	$ 5,475,922
Interest bearing deposits with other banks	30,663,324	30,663,324	-	-	30,663,324
Securities available for sale	10,785,935	-	10,785,935	-	10,785,935
Restricted securities	4,142,700	-	4,142,700	-	4,142,700
Loans, net	252,794,879	-	-	255,720,885	255,720,885
Accrued interest receivable	1,071,567	-	1,071,567	-	1,071,567
Bank-owned life insurance	5,604,887	-	5,604,887	-	5,604,887
Financial Liabilities:					
Deposits	$ 272,995,796	$ -	$ 273,732,907	$ -	$ 273,732,907
Short-term borrowings	5,884,443	-	5,884,443	-	5,884,443
Long-term borrowings	6,240,978	-	6,762,231	-	6,762,231
Accrued interest payable	72,055	-	72,055	-	72,055

The company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the company's overall interest rate risk.

Note 15. Accumulated Other Comprehensive Loss

Changes in each component of accumulated other comprehensive loss were as follows:

	Net Unrealized Gains/(Losses) On Securities	Adjustments Related to Pension and Other Post Retirement Benefits	Accumulated Other Comprehensive Loss
Balance at December 31, 2019	$ 74,421	$ (2,981,030)	$ (2,906,609)
Net unrealized gains arising during the period, net of tax of $88,003	261,355	-	261,355
Net unrealized gain reversed upon the liquidation of investment securities, net of tax 276	(821)	-	(821)
Net pension and other post-retirement losses arising during the period, net of tax of $177,489	-	(527,110)	(527,110)
Amortization of net actuarial loss included in net periodic benefit cost, net of tax of $83,717	-	248,627	248,627
Balance at December 31, 2020	$ 334,955	$ (3,259,513)	$ (2,924,558)
Net unrealized losses arising during the period, net of tax of $233,286	(692,812)	-	(692,812)
Net pension and other post-retirement gain arising during the period, net of tax of $100,554	-	298,626	298,626
Amortization of net actuarial loss included in net periodic benefit cost, net of tax of $100,639	-	298,878	298,878
Balance at December 31, 2021	$ (357,857)	$ (2,662,009)	$ (3,019,866)

The previous table includes amounts reclassified out of accumulated comprehensive loss for realized gains/(losses) on sales of securities and amortization of net actuarial loss. These amounts affect the line items "Security gains/(losses), net" and "Salaries and employee benefits" in the consolidated statements of income. The tax effect of these reclassifications is reflected in the "Income tax expense" line item in the consolidated statements of income.

Note 16. Related Party Transactions

The bank makes loans to its directors, executive officers and their related interests in the normal course of business. The activity with respect to these loans for the years ended December 31, 2021 and 2020 follows:

	2021	2020
Balance, beginning	$ 1,618,444	$ 2,015,992
Additions	4,885,680	548,557
Amounts collected	(650,955)	(892,040
Director Retirement	-	(54,065)
Balance, ending	$ 5,853,169	$ 1,618,444

At December 31, 2021 and 2020, deposits of related parties including directors, executive officers, and their related interests of Citizens Financial Corp. and subsidiary approximated $7,846,479 and $8,559,143 respectively.

Note 17. Subsequent Events

In preparing these financial statements, the company has evaluated events and transactions for potential recognition or disclosure through February 23, 2022, the date the financial statements were issued. On January 12, 2022, the company declared quarterly dividend of $0.20 per common share and $0.21 per Class A Common share. In the opinion of management, all subsequent events requiring recognition or disclosure have been included in the financial statements.

Note 18. Restrictions on Cash and Amounts Due from Banks

The bank may be required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2021 and 2020 we had no required reserve.

Note 19. Condensed Financial Statements of Parent Company

Information relative to the parent company's balance sheets at December 31, 2021 and 2020, and the related statements of income and cash flows for the years ended December 31, 2021 and 2020, are presented below.

	December 31,	
Balance Sheets	2021	2020
Assets		
Cash	$ 4,077,884	$ 8,867
Investment in subsidiaries	42,329,238	31,909,779
Total assets	$ 46,407,122	$ 31,918,646
Long Term Debt – The Bankers' Bank of Kentucky	$ 10,000,000	$ -
Total liabilities	$ 10,000,000	$ -
Total shareholders' equity	$ 36,407,122	$ 31,918,646
Total liabilities and shareholders' equity	$ 46,407,122	$ 31,918,646

	Years Ended December 31,	
Statements of Income	2021	2020
Income - dividends from subsidiary bank	$ 1,308,400	$ 1,135,700
Expenses - operating	(30,584)	(24,581)
Income before income taxes and equity in undistributed income of subsidiaries	1,277,816	1,111,119
Income tax benefit	-	-
Income before equity in undistributed income of subsidiaries	1,277,816	1,111,119
Equity in undistributed income of subsidiaries	4,514,767	3,198,708
Net income	$ 5,792,583	$ 4,309,827

Statements of Cash Flows	Years Ended December 31, 2021	2020
Cash flows from operating activities		
Net income	$ 5,792,583	$ 4,309,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	92,728	-
Equity in undistributed income of subsidiary	(4,514,767)	(3,198,708)
Cash provided by operating activities	1,370,544	1,111,119
Cash flows from investing activities, investment in subsidiary bank	(6,000,000)	-
Cash flows from financing activities		
Proceeds from long-term debt	10,000,000	
Acquisitions of treasury stock	(93,067)	(70,391)
Dividends paid to shareholders	(1,208,460)	(1,085,225)
Cash provided by financing activities	8,698,473	(1,155,616)
Increase (decrease) in cash	4,069,017	(44,497)
Cash:		
Beginning	8,867	53,364
Ending	$ 4,077,884	$ 8,867

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Citizens Financial Corp.
Elkins, West Virginia

Opinion

We have audited the consolidated financial statements of Citizens Financial Corp. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the shareholder letter and selected financial data but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 23, 2022

BOARD OF DIRECTORS

Nathaniel S. Bonnell, CPA
President & CEO
Citizens Bank of West Virginia, Inc.
Citizens Financial & Citizens Bank

William J. Brown
Retired, Hess Oil Company, Inc.,
Managing Partner,
Brown Rental Group
Citizens Financial & Citizens Bank

John W. Carte II, CPA
President & CEO
Carte Hall & Associates, A.C.
Citizens Financial & Citizens Bank

William T. Johnson, Jr.
Retired, Citizens Bank
of West Virginia, Inc.
Citizens Financial & Citizens Bank

Cyrus K. Kump
President, Kump Enterprises,
Kerr Real Estate
Citizens Financial & Citizens Bank

Robert L. Morris, Jr.
Executive Director, Randolph
County Development Authority
Citizens Financial & Citizens Bank

Franklin M. Santmyer, Jr.
President, FMS Enterprise, Inc.,
Gino's Pizza of Elkins
Citizens Financial & Citizens Bank

C. Curtis Woodford
President, Woodford
Oil Company
Citizens Financial

Todd C. Woodford
Vice President & Chief
Operating Officer
Woodford Oil Company
Citizens Bank

John A. Yeager, CPA
Retired
Citizens Financial & Citizens Bank

CITIZENS FINANCIAL CORP. OFFICERS

Cyrus K. Kump	*Chairman of the Board*
William T. Johnson, Jr.	*Vice Chairman*
Nathaniel S. Bonnell, CPA	*President & CEO*
William J. Brown	*Vice President*
Belinda J. Clevenger, CPA	*Vice President & Treasurer*
Leesa M. Harris, CTFA	*Secretary*
Chasity L. Pennington	*Assistant Treasurer*

Max L. Armentrout, *Director Emeritus*
President, Laurel Lands Corp.

L. T. Williams, *Director Emeritus*
Retired, Elkins Builders Supply, LLC

Nathaniel S. Bonnell, CPA
President & CEO

Leesa M. Harris, CTFA
Senior Vice President & Trust Officer

Franklin W. Hinzman
Senior Vice President & Chief Lending Officer

Kathy K. Leombruno
Senior Vice President & Marketing Officer

Matthew E. Osborne
Senior Vice President & Chief Credit Officer

Dustin J. Casto
Vice President & Chief Information Officer

Belinda J. Clevenger, CPA
Vice President & Chief Financial Officer

Greg A. Harper
Vice President of Dealer Financial Services

Carla D. Joseph
Vice President & Credit Analyst

Deborah T. Ritter
Vice President & Branch Manager

Rebecca F. Schoonover
Vice President & Financial Advisor

Deborah L. Swiger
Vice President & Chief Operations Officer

Connie R. Tenney
Vice President & Branch Manager

Stephanie S. Ward
Vice President & Business Development Officer

Chasity L. Pennington
Assistant Vice President & Controller/BSA Officer

Laura K. Simons
Assistant Vice President of Deposit Operations & Facilities

Melissa D. Stalnaker
Assistant Vice President & Human Resources Officer

Michelle D. Channels *Mortgage Specialist*
Jacqueline A. Cutlip *Personal Banker*
Cindy K. DeMotto *Branch Manager*
Cynthia A. Durig *Branch Manager*
Shkeyna S. Harris *Loan Operations Manager*
Traci L. Hopkins *Fixed Rate Mortgage Manager*
Brandi R. Hutton *Mortgage Loan Underwriter*
William E. Jordan *Branch Manager*
Crystal D. Kimbleton *Assistant Trust Officer*
Amanda J. Mick *Digital Banking Officer*
Michelle L. Pfau *Dealer Financial Services Officer*
William D. Phillips *Branch Manager*
Vickie D. Poling *Personal Banker*
Jessica A. Shaffer *Digital Marketing Officer*
Daniel L. Ware *Compliance Officer*
Pamela D. Yeager *Mortgage Specialist*

RETIREMENT ANNOUNCEMENT

JANET CHAPMAN
2007-2021

JANET CHAPMAN | SVP & CHIEF FINANCIAL OFFICER

Citizens Bank of West Virginia announces the retirement of Janet Chapman, Senior Vice President & Chief Financial Officer, after a 22-year career in banking.

Chapman began her career at Citizens in 2007 as Assistant Controller and was named Controller in 2009. In 2011, she was promoted to Vice President & Controller, and in 2017 was elevated to Senior Vice President & Chief Financial Officer and appointed to serve as Vice President & Treasurer of Citizens Financial Corp., the Bank's holding company.

A resident of Philippi, she is married to David Chapman and has two sons, Nathaniel and Matthew, and two grandchildren.

We wish her all the best in retirement.

MEETING NOTICE

Annual Meeting: Citizens Financial Corp.'s annual shareholder meeting will be held at Citizens Bank of West Virginia, Inc., 211 Third Street, Elkins, WV at 11:00 AM April 27, 2022.

Legal Counsel: Jackson Kelly, PLLC, Charleston, WV 25301

Auditors: Yount, Hyde and Barbour, P.C., Certified Public Accountants, Winchester, VA 22604

INVESTOR RELATIONS CONTACT INFORMATION

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(800) 797-5790
nbonnell@citizenswv.com

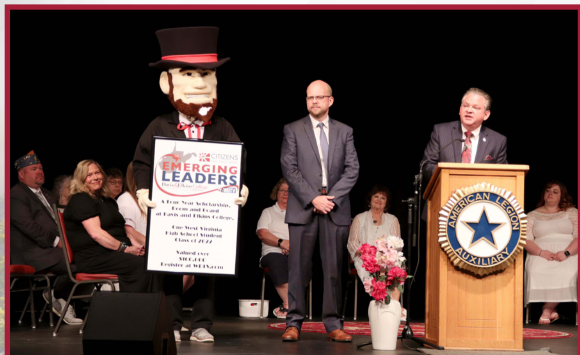
TRADING SYMBOL

CIWV

TRANSFER AGENT

Computershare
211 Quality Circle, Suite 210
College Station, TX 77845
(800) 368-5948

EMERGING LEADERS SCHOLARSHIP



Citizens Bank of West Virginia, Davis & Elkins College and WDTV created a partnership to offer a unique scholarship for West Virginia students. The Citizens Bank of West Virginia Emerging Leaders Scholarship to Davis & Elkins College, which launched in June of 2021, was open to all 2022 West Virginia high school graduates and provided four years of tuition, room and board with an approximate value of $160,000.

North Marion High School senior and American Legion Auxiliary West Virginia Girls State Governor Sidney Megna was selected as the inaugural winner of the scholarship. She hopes to work as a prosecuting attorney and then as a legislative attorney before pursuing public office in the Mountain State.

CITIZENS BANK OF WV
EMERGING
LEADERS
SCHOLARSHIP

FINANCIAL FIRST RESPONDER

Citizens Bank of West Virginia was featured in a Financial First Responder article for WV Living Magazine's 2021 Winter edition. The piece highlighted how Senior Vice President & Chief Lending Officer Frank Hinzman and Citizens Bank helped owners Shane and Nicole Turner of Gambill Amusements make it through the COVID-19 pandemic with a Paycheck Protection Program (PPP) Loan.

According to the article: Fourth-generation owners Shane and Nicole Turner explain that they were just about to start the 2020 carnival season – it runs from April to October each year – when the COVID-19 pandemic shut everything down. It was a two-week postponement – at least, that's what they initially expected. Maybe they could hang on tight until the shutdown ended, they thought. Then two weeks turned into a month, and more festivals were cancelled. "Everyone in our family works in this business," Nicole Turner says. "And not only do we employ the people that work for us, but we house them, too. We had people relying on us, and the unknown of it all was just devastating."

At the time, Gambill Amusements did its business with a large national bank that provided the account access they needed on the road. They reached out to that bank hoping for help but got nowhere. The Turners also had a fairly new relationship with Hinzman. "We had just gotten involved with Citizens Bank in January or February of that year. We called Frank directly, and he told us not to worry, he could help."

They credit Frank and Citizens for their business being here today.

CITIZENS
BANK *of* WEST VIRGINIA

HONORED TO BE IN THE **TOP 10%** OF HIGH PERFORMING BANKS IN THE NATION

#1 IN WEST VIRGINIA

#10 IN THE NATION

ACCORDING TO THE 2021 CB TOP TEN™
4TH QUARTER REPORT AMONG BANKS OUR ASSET SIZE

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