

**CITIZENS FINANCIAL SERVICES, INC.**  
15 South Main Street  
Mansfield, Pennsylvania 16933  
570-662-2121

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON APRIL 16, 2024**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the “Annual Meeting”) of Citizens Financial Services, Inc. (the “Company”) will be held at First Citizens Community Bank, 11499 Route 6, Wellsboro, Pennsylvania, at 10:00 a.m., local time, on Tuesday, April 16, 2024, for the following purposes:

1. To elect three Class 1 directors to serve for three-year terms, and until their successors are duly elected and qualified;
2. To ratify the appointment of S.R. Snodgrass, P.C., Certified Public Accountants, as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2024;
3. To approve, on a non-binding advisory basis, the compensation of the Company’s named executive officers as disclosed in this proxy statement;
4. To vote, on a non-binding advisory basis, regarding the frequency of the non-binding advisory vote to approve the compensation of the Company’s named executive officers; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

NOTE: The Board of Directors is not aware of any other business to come before the meeting.

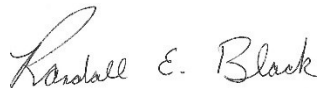
Record holders of the Company’s common stock at the close of business on February 26, 2024 are entitled to receive notice of the Annual Meeting and any adjournment or postponement of the meeting.

Instead of mailing a printed copy of our proxy materials, including our 2023 Annual Report to Shareholders, to each shareholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all shareholders.

Accordingly, on March 7, 2024, we began mailing the Notice of Internet Availability of Proxy Materials (the “Notice”), or our proxy statement if you previously elected to receive a printed copy of the materials, to all shareholders of record as of February 26, 2024 and posted our proxy materials on the website referenced in the Notice ([www.proxyvote.com](http://www.proxyvote.com)). As more fully described in the Notice, all shareholders may choose to access our proxy materials on the website referred to in the Notice or may request a printed set of our proxy materials. The Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

If you previously elected to receive a printed copy of the materials, we have enclosed a copy of our 2023 Annual Report to Shareholders with this Notice and Proxy Statement.

BY ORDER OF THE BOARD OF DIRECTORS



Randall E. Black  
Chief Executive Officer and President

March 7, 2024  
Mansfield, Pennsylvania

**IMPORTANT: The prompt return of proxies will save the Company the expense of further requests for proxies in order to ensure a quorum. Shareholders of record may submit a proxy by Internet or by requesting a printed copy of the proxy materials and using the enclosed proxy card. You can also vote in person during the Annual Meeting. Voting instructions are printed on your proxy card or vote authorization.**

---

## PROXY STATEMENT OF CITIZENS FINANCIAL SERVICES, INC.

---

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of Citizens Financial Services, Inc., (the “Company”), a Pennsylvania corporation headquartered at 15 South Main Street, Mansfield, Pennsylvania 16933, to be used at the Annual Meeting of Shareholders (the “Annual Meeting”). The Annual Meeting will be held at First Citizens Community Bank, 11499 Route 6, Wellsboro, Pennsylvania, on Tuesday, April 16, 2024 at 10:00 a.m. local time. The Proxy Statement, of Internet Availability of Proxy Materials and the proxy card were first made available on March 7, 2024 to shareholders of record as of February 26, 2024.

### GENERAL INFORMATION ABOUT VOTING

#### Who Can Vote at the Meeting

You are entitled to vote your shares of the Company’s common stock only if the records of the Company show that you held your shares as of the close of business on February 26, 2024 (the “Record Date”). As of the close of business on the Record Date, a total of 4,706,994 shares of common stock were outstanding. Each share of common stock has one vote.

#### Attending the Meeting

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us by voting via the Internet or by mail (if you request a printed copy of the proxy materials and use the enclosed proxy card) or to vote in person at the meeting.

If you are the beneficial owner of the Company’s common stock held by a broker, bank or other nominee (i.e., in “street name”), you will need proof of your ownership of such stock to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of the Company’s common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

#### Quorum and Vote Required

**Quorum.** The Annual Meeting will be held only if there is a quorum. A quorum exists if a majority of the outstanding shares of common stock entitled to vote is represented at the meeting.

**Votes Required for Proposals.** In voting for the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the Annual Meeting. The term “plurality” means that the three nominees for Class 1 director receiving the largest number of votes cast will be elected as Class 1 directors.

In voting for the ratification of the appointment of S.R. Snodgrass, P.C., Certified Public Accountants (“S.R. Snodgrass, P.C.”), as our independent registered public accounting firm, or on the non-binding, advisory vote to approve the compensation of the Company’s named executive officers, you may vote in favor of the proposal, against the proposal or abstain from voting. Each of these proposals will be decided by the affirmative vote of a majority of the votes cast at the Annual Meeting.

In voting on the frequency of the shareholder vote to approve the compensation of the Company's named executive officers, you may vote for a frequency of one year, two years or three years, or you may abstain from voting. This proposal will be determined by a plurality of the votes cast at the Annual Meeting.

**How We Count Votes.** If you return valid proxy instructions, vote via the Internet, or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Shares held by brokers and other nominees as to which they have not received voting instructions from the beneficial owners and lack the discretionary authority to vote on a particular matter are called "broker non-votes" and will be counted for purposes of determining the existence of a quorum.

In the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions will have no effect on the outcome of this proposal.

In counting votes on the proposals to approve, on a non-binding advisory basis, the compensation of the Company's named executive officers, and to approve, on a non-binding advisory basis, the frequency of the shareholder vote on the compensation of the Company's named executive officers, abstentions and broker non-votes will have no effect on the outcome of these proposals.

## **Voting By Proxy**

The Board is making available this Proxy Statement for the purpose of requesting that you allow your shares of the Company's common stock to be represented at the Annual Meeting by the persons named in the proxy card. All shares of common stock represented at the Annual Meeting by properly executed and dated proxy cards will be voted according to the instructions indicated on the proxy card or as indicated when you vote via the Internet. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Board.

### **THE BOARD UNANIMOUSLY RECOMMENDS A VOTE:**

- **"FOR" THE ELECTION OF THE THREE CLASS 1 DIRECTORS TO SERVE FOR THREE-YEAR TERMS, AND UNTIL THEIR SUCCESSORS ARE DULY ELECTED AND QUALIFIED;**
- **"FOR" RATIFICATION OF S.R. SNODGRASS, P.C. AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM;**
- **"FOR" THE APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS; AND**
- **"ONE YEAR" WITH RESPECT TO THE NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF THE SHAREHOLDER VOTES TO APPROVE THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.**

If any matter not described in this Proxy Statement is properly presented at the Annual Meeting, the persons named on the proxy card will use their own best judgment to determine how to vote your shares. The Company does not know of any other matters to be presented at the Annual Meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Secretary of the Company in writing before your common stock has been voted at the Annual Meeting, deliver a signed later-dated proxy, vote on a later date via the Internet, or attend the meeting and vote your shares in person. Please note all votes cast via the Internet must be cast prior to 11:59 p.m. Eastern Time on April 15, 2024. Attendance at the Annual Meeting will not in itself constitute revocation of your proxy.

If your common stock is held in “street name,” you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this Proxy Statement.

## **CORPORATE GOVERNANCE AND BOARD MATTERS**

### **Director Independence**

The Board currently consists of twelve members, all of whom are independent under the listing standards of the Nasdaq Stock Market, except for Mr. Black who is Chief Executive Officer and President of the Company and of First Citizens Community Bank (the “Bank”), Mr. Mickey L. Jones, who is a Senior Executive Vice President and Chief Operating Officer of the Company and of the Bank, and David Z. Richards, Jr., who is a Senior Executive Vice President of the Bank. In determining the independence of its directors, the Board considered transactions, relationships and arrangements between the Company and its directors that are not required to be disclosed in this Proxy Statement under the heading “*Transactions with Related Persons*,” considering the loans or lines of credit that the Bank has directly or indirectly made to Messrs. Chappell, DePaola, Freeman, Graham, Kosa, Kunes, and Landy, and Ms. Schadler.

### **Board Leadership Structure and Board’s Role in Risk Oversight**

The Company’s Corporate Governance Policy gives the Board of Directors the discretion to separate the offices of Chairman of the Board and the Chief Executive Officer and President or to combine them, recognizing that facts and circumstances may make one structure more advisable at any given time. Currently, the Board of Directors has determined that the separation of the offices of Chairman of the Board and Chief Executive Officer and President enhances Board independence and oversight. Moreover, the separation of the Chairman of the Board and Chief Executive Officer and President allows the Chief Executive Officer and President to better focus on the responsibilities of running the Company, enhancing shareholder value and expanding and strengthening our franchise while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management. Consistent with this determination, R. Joseph Landy serves as Chairman of the Board of Directors while Randall E. Black serves as Chief Executive Officer and President and as Vice Chairman of the Board of Directors.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and risks facing the Company. Senior management attends Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the Company’s management and affairs through its standing committees and, when necessary, special meetings of independent directors. The Board periodically meets in executive session without management present. Topics for discussion may include the evaluation of the Chief Executive Officer and President, management succession planning, strategic planning, and such other matters as they may deem appropriate. In 2023, the Board held four executive sessions.

Rinaldo DePaola serves as Lead Independent Director for the Company and the Bank Boards of Directors. This appointment of a Lead Independent Director resulted from the Board’s decision to follow best corporate practices. In 2023, the independent directors of the Board held two meetings.

## Code of Ethics

The Company and the Bank have adopted a Code of Ethics that is designed to ensure that the Company's and Bank's directors, executive officers and employees meet the highest standards of ethical conduct. The Code of Ethics requires that the Company's and Bank's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's and Bank's best interest. Under the terms of the Code of Ethics, directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethics. The Code of Ethics is available in the Corporate Governance section of our website ([www.firstcitizensbank.com](http://www.firstcitizensbank.com)).

## Committees of the Board of Directors

The following table identifies the members of our Audit and Examination, Compensation/Human Resource, and Governance and Nominating Committees as of February 26, 2024. All members of each committee are independent in accordance with the listing standards of the Nasdaq Stock Market. Based on the number of independent directors currently serving on the Compensation/Human Resource Committee and Governance and Nominating Committee, the Company believes that the functions of these committees are sufficiently performed by the current members. The Board's Audit and Examination, Compensation/Human Resource, and Governance and Nominating Committees each operate under a separate written charter that is approved by the Board of Directors. Each committee reviews and reassesses the adequacy of its charter at least annually. The charters of all three committees are available in the Corporate Governance section of our website ([www.firstcitizensbank.com](http://www.firstcitizensbank.com)).

| Director                          | Audit and<br>Examination<br>Committee | Compensation/<br>Human<br>Resource<br>Committee | Governance<br>and<br>Nominating<br>Committee |
|-----------------------------------|---------------------------------------|---|--|
| Robert W. Chappell.....           |                                       | X*  | X  |
| Rinaldo A. DePaola.....           |                                       | X   | X*   |
| Thomas E. Freeman.....            | X                                     | X   | X  |
| Roger C. Graham, Jr.....          | X                                     |   |  |
| Janie M. Hilfiger.....            | X                                     |   | X  |
| E. Gene Kosa <sup>(1)</sup> ..... | X*                                    |   |  |
| R. Joseph Landy.....              |                                       | X   | X  |
| Christopher W. Kunes.....         |                                       | X   | X  |
| Alletta M. Schadler.....          | X                                     | X   |  |
| Number of Meetings in 2023        | 6                                     | 6   | 6  |

\* Denotes Chairperson

<sup>(1)</sup> Mr. Kosa is retiring from the Board immediately prior to the Annual Meeting.

***Audit and Examination Committee.*** The Audit and Examination Committee oversees the Company's accounting and financial reporting processes. It meets periodically with the independent registered public accounting firm, management and the internal auditors to review accounting, auditing, internal control structure and financial reporting matters. Roger Graham serves as the financial sophistication designee as defined by the rules of the Securities and Exchange Commission (the "SEC"). The Board of Directors believes that each Audit and Examination Committee member has sufficient knowledge in financial and auditing matters to serve on the committee. The committee has the authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities. The report of the Audit and Examination Committee required by the rules of the SEC is included in this proxy statement. See "Report of the Audit and Examination Committee."

***Compensation/Human Resource Committee.*** The Compensation/Human Resource Committee is appointed by the Board to assist the Board in developing compensation philosophy, criteria, goals and policies for the Company's executive officers that reflect the values and strategic objectives of the Company and its affiliates that align their interests with the interests of the stockholders. The Compensation/Human Resource Committee administers the Company's compensation plans, including the annual incentive plan, restricted stock plan and tax-

qualified defined benefit plan. The Compensation/Human Resource Committee reviews and evaluates the terms of employment and change in control agreements for our executive officers.

Consistent with SEC disclosure requirements, the Compensation/Human Resource Committee has assessed the Company's compensation programs and has concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company or its affiliates. Our risk assessment process includes: (1) a review of program policies and practices; (2) a program analysis to identify risk; and (3) determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control and the support of the programs and their risks to Company strategy. Although we review all compensation programs, we focus on the programs with variability of payout, with the ability of a participant to directly affect payout and the controls on participant action and payout.

Based on the foregoing, we believe that our compensation policies and practices do not create inappropriate or unintended significant risk to the Company or our affiliates. We also believe that our incentive compensation arrangements provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage significant risks, are compatible with effective internal controls and are supported by the oversight and administration of the Compensation/Human Resource Committee with regard to executive compensation programs.

During 2023, the Compensation/Human Resource Committee retained and consulted with Blanchard Consulting Group, an executive compensation and benefits consulting firm of national scope and reputation, to advise it in connection with executive compensation decisions for 2023.

***Governance and Nominating Committee.*** The Governance and Nominating Committee takes a leadership role in shaping governance policies and practices, including recommending to the Board of Directors the corporate governance policies and guidelines that should be adopted by the Company and monitoring compliance with these policies and guidelines. In addition, the Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members, considering the candidates recommended by shareholders for Board membership, and recommending to the Board the director nominees for election at the next Annual Meeting of Shareholders. It manages the Board's annual review of its performance and recommends director candidates for each committee for appointment by the Board. The procedures of the Governance and Nominating Committee required to be disclosed by the rules of the SEC are set forth below.

In order to measure and improve director effectiveness, a yearly self-evaluation is used by the Board to determine each member's effectiveness and identify opportunities for improvement. The performance of individual directors is assessed against a range of criteria, including but not limited to: performance, relevant knowledge, engagement, individual contributions, leadership and group dynamics, and community involvement. The Governance and Nominating Committee annually oversees and reports to the Board an evaluation of the Board's performance. The process includes:

Director Questionnaire: Board members complete a detailed questionnaire which (a) provides for quantitative ratings in key areas, and (b) seeks subjective comment in each of those areas.

When answering the questions, each Board member ranks all other peer Board members, as well as themselves.

Frequency: Annually.

Completed By: All members of the Board.

Findings: The third-party consultant provides a written summary report based on the data analysis and feedback from the directors. The findings are made available to the Governance & Nominating Committee.

Each director is able to see their own score, and the Board median score.

If a director receives an average score of 7 or below on any question by 3 or more peer directors, representatives of the Governance & Nominating Committee will talk to the director and determine what is needed to remedy the situation. If a director's overall average score is a 7 or below, representatives of the Governance and Nominating Committee will talk to the director and determine what is needed to remedy the situation.

Any question that 3 or more directors score 7 or below is determined to be a board weakness and representatives of the Governance and Nominating Committee will determine, after consultation with management and/or consultants, what education or resource is needed to improve the score.

Presentation & Recommendations: The final summary report is reviewed and discussed with the Governance & Nominating Committee by a representative of BoardEvals, LLC. The Governance & Nominating Committee will then make a summary report to the full Board.

## **Governance and Nominating Committee Procedures**

***Minimum Qualifications.*** The Governance and Nominating Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. A candidate must meet the eligibility requirements set forth in the Company's Articles of Incorporation and Bylaws, and must meet any qualification requirements set forth in any Board or committee governing documents. In particular, to encourage directors to demonstrate confidence and support of the Company, the Board of Directors has adopted a stock ownership requirement whereby each Company director shall beneficially own an amount of Company common stock equal to the greater of (i) three times the previous year's cash retainer, based on the Company's common stock price on the previous December 31, or (ii) 1,000 unencumbered shares. In addition, to support our Board refreshment goals, our Bylaws provide no person will be eligible for election, reelection, appointment or reappointment to the Board if such person has reached 72 years of age or older on or prior to such election, reelection, appointment or reappointment. Any director who reaches 72 years of age during their terms are entitled to serve out the remainder of that term.

The Governance and Nominating Committee considers the following criteria in selecting nominees for initial election or appointment to the Board: financial, regulatory and business experience; familiarity with and participation in the local community; integrity, honesty and reputation; dedication to the Company and its shareholders; independence; and any other factors the Governance and Nominating Committee deems relevant, including residence, geographies, size of the Board of Directors and regulatory disclosure obligations. In order to ensure that our Board of Directors benefits from diverse perspectives, the Governance and Nominating Committee will seek qualified nominees from a variety of backgrounds, including candidates of age, gender and ethnic diversity. Further, when identifying nominees to serve as directors, the Governance and Nominating Committee seeks to create a Board that is strong in its collective knowledge and has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge, agri-business experience and knowledge, current or previous SEC filing company board experience, and corporate governance.

In addition, prior to nominating an existing director for re-election to the Board of Directors, the Governance and Nominating Committee considers and reviews an existing director's Board and committee attendance and performance, length of Board service, experience, skills and contributions that the existing director brings to the Board, equity ownership in the Company, Board self-evaluation, and independence.



***Process for Identifying and Evaluating Nominees.*** The process the Governance and Nominating Committee follows when it identifies and evaluates individuals to be nominated for election to the Board of Directors is as follows:

***Identification.*** For purposes of identifying nominees for the Board of Directors, the Governance and Nominating Committee relies on personal contacts of the committee and other members of the Board of Directors as well as its knowledge of members of the Bank's local communities. The Governance and Nominating Committee will also consider director candidates recommended by shareholders in accordance with the policy and procedures set forth above. The Governance and Nominating Committee has not previously used an independent search firm in identifying nominees.

***Evaluation.*** In evaluating potential nominees, the Governance and Nominating Committee determines whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, the Governance and Nominating Committee will conduct a check of the individual's background and interview the candidate.

***Board Diversity.*** In order to ensure that our Board of Directors benefits from diverse perspectives, our Board of Directors and the Nominating and Corporate Governance Committee seek qualified nominees from a variety of backgrounds, including candidates of age, gender and ethnic diversity.

***Consideration of Recommendations by Shareholders.*** It is the policy of the Governance and Nominating Committee of the Board of Directors of the Company to consider director candidates recommended by shareholders who appear to be qualified to serve on the Company's Board of Directors. The Governance and Nominating Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board and the Governance and Nominating Committee does not perceive a need to increase the size of the Board. In order to avoid the unnecessary use of the Governance and Nominating Committee's resources, the Governance and Nominating Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

***Procedures to be Followed by Shareholders.*** To submit a recommendation of a director candidate to the Governance and Nominating Committee, a shareholder should submit the following information in writing, addressed to the Secretary of the Company at the main office of the Company:

1. The name and address of the person recommended as a director candidate;
2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act");
3. The written consent of the person being recommended as a director candidate to be named in the Proxy Statement as a nominee and to serve as a director if elected;
4. As to the person making the recommendation, the name and address, as they appear on the Company's books, of such person, and number of shares of common stock of the Company owned by such person; provided, however, that if the person is not a registered holder of the Company's common stock, the person should submit his or her name and address along with a current written statement from the record holder of the shares that reflects the recommending person's beneficial ownership of the Company's common stock; and
5. A statement disclosing whether the person making the recommendation is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company's Annual Meeting of Shareholders, the recommendation must be received by the Governance and Nominating Committee at least 120 calendar days prior to the date the Company's Proxy Statement was released to shareholders in connection with the previous year's Annual Meeting, advanced by one year.

**Board Refreshment.** Our Board believes that a fully engaged Board of Directors is a strategic asset of the Company, and that knowledgeable and fresh viewpoints and perspectives are important for informed decision-making. The Board also believes that appropriate tenure can facilitate directors developing greater institutional knowledge and deeper insight into the Company's operations across a variety of economic and competitive environments.

Even before vacancies arise, the Board periodically evaluates whether it collectively has the right mix of skills, experience, attributes and diverse viewpoints necessary for it to drive shareholder value. The results of this evaluation are used to help inform the desirable skills set for potential Board nominees and to screen director candidates.

At the same time, as part of planning for Board refreshment and director succession, the Governance and Nominating Committee's practice has been to periodically consider potential director candidates. As a result of this ongoing review, in the last five years alone, the Board has appointed and/or nominated three new directors.

With the Board's recommended slate of three nominees, the Board believes that it has an appropriately balanced board and will continue to consider opportunities to strengthen the Board's composition over time. As a group, the average tenure of the nominees for election to the Board is approximately 20 years.

### Director Skills Summary

Our Board brings diverse experience and perspectives to areas critical to our business. Their collective knowledge ensures appropriate management and risk oversight and supports our strategy of long-term sustainable shareholder value.

| Board Skills Matrix                       |       |          |         |         |        |          |       |                     |       |       |          |          |
|---|-------|----------|---------|---------|--------|----------|-------|---------------------|-------|-------|----------|----------|
|   | Black | Chappell | DePaola | Freeman | Graham | Hilfiger | Jones | Kosa <sup>(1)</sup> | Kunes | Landy | Richards | Schadler |
| <b>Skills and Experience</b>              |       |          |         |         |        |          |       |                     |       |       |          |          |
| Finance and Accounting                    | X     |          |         |         |        |          | X     |                     | X     |       | X        |          |
| Independent Financial Expert              |       |          |         |         |        |          |       |                     |       |       |          |          |
| CEO/Business Head                         | X     | X        | X       | X       | X      | X        | X     | X                   | X     | X     | X        | X        |
| Business Skills and Knowledge             | X     | X        | X       | X       | X      | X        | X     | X                   | X     | X     | X        | X        |
| Mergers and Acquisitions                  | X     | X        | X       | X       |        | X        | X     |                     | X     | X     | X        | X        |
| Human Capital Management/<br>Compensation | X     |          |         | X       | X      | X        | X     |                     | X     |       | X        | X        |
| Industry and Technology                   | X     |          |         | X       |        | X        | X     | X                   |       |       | X        |          |
| Growth and Emerging Technologies          | X     |          |         | X       |        | X        | X     | X                   |       |       | X        |          |
| Cybersecurity                             |       |          |         |         |        |          |       |                     |       |       |          |          |
| Risk Management                           | X     |          |         |         |        |          | X     | X                   |       |       | X        |          |
| Ag Experience                             | X     | X        |         |         | X      |          |       | X                   | X     |       |          | X        |
| Agri-Business Experience                  | X     |          |         |         | X      |          |       | X                   | X     |       |          |          |
| Environmental                             |       |          |         |         |        |          |       | X                   |       |       |          |          |
| Public Company Governance                 | X     |          |         |         |        |          | X     |                     | X     |       | X        |          |
| Sales and Marketing                       | X     | X        | X       | X       | X      | X        | X     | X                   | X     | X     | X        | X        |
| Government Policy and Sustainability      | X     |          |         | X       |        | X        |       |                     |       |       |          |          |
| Legal, Legislative or Regulatory          | X     | X        | X       |         | X      |          | X     | X                   | X     | X     | X        |          |
| <b>Tenure and Independence</b>            |       |          |         |         |        |          |       |                     |       |       |          |          |
| Years on Board                            | 19    | 17       | 17      | 13      | 22     | 2        | 5     | 22                  | 5     | 22    | 6        | 8        |
| Independence                              |       | X        | X       | X       | X      | X        |       | X                   | X     | X     |          | X        |

(1) Mr. Kosa is retiring from the Board immediately prior to the Annual Meeting.

## Board Diversity Matrix

Our Board views its diversity as an important strength, as our commitment to diversity of experience, gender and ethnicity is a key driver of the Company’s success. The following matrix illustrates the diversity of the Board as of the record date of February 26, 2024.

| Board Diversity Matrix              |       |          |         |         |        |          |       |                     |       |       |          |          |
|-------------------------------------|-------|----------|---------|---------|--------|----------|-------|---------------------|-------|-------|----------|----------|
|                                     | Black | Chappell | DePaola | Freeman | Graham | Hilfiger | Jones | Kosa <sup>(1)</sup> | Kunes | Landy | Richards | Schadler |
| <b>Demographics</b>                 |       |          |         |         |        |          |       |                     |       |       |          |          |
| Age                                 | 57    | 57       | 68      | 64      | 68     | 65       | 63    | 77                  | 59    | 69    | 63       | 88       |
| Gender Identity                     | M     | M        | M       | M       | M      | F        | M     | M                   | M     | M     | M        | F        |
| African American or Black           |       |          |         |         |        |          |       |                     |       |       |          |          |
| Alaskan Native or Native American   |       |          |         |         |        |          |       |                     |       |       |          |          |
| Asian                               |       |          |         |         |        |          |       |                     |       |       |          |          |
| Hispanic or Latinx                  |       |          |         |         |        |          |       |                     |       |       |          |          |
| Native Hawaiian or Pacific Islander |       |          |         |         |        |          |       |                     |       |       |          |          |
| White                               | X     | X        | X       | X       | X      | X        | X     | X                   | X     | X     | X        | X        |
| Two or More Races of Ethnicities    |       |          |         |         |        |          |       |                     |       |       |          |          |
| LGBTQ+                              |       |          |         |         |        |          |       |                     |       |       |          |          |
| Directors who are Military Veterans |       | X        |         |         |        |          |       |                     |       |       |          |          |
| Directors with Disabilities:        | 3     |          |         |         |        |          |       |                     |       |       |          |          |

<sup>(1)</sup> Mr. Kosa is retiring from the Board immediately prior to the Annual Meeting.

## Environmental, Social and Governance

The Company is committed to strengthening the communities we serve through associate volunteerism and corporate philanthropy, as well as environmental responsibility and sustainability, serving as a cornerstone of the local community, and maintaining transparency in governance.

The Company supports environmental awareness and sustainability by encouraging and empowering recycling, responsible waste management practices and energy conservation throughout the organization. We continually evaluate opportunities to reduce energy dependence in areas such as facilities, equipment, operations, shipping and business travel. In 2021, the Company formed an Environmental, Social and Governance Committee whose mission is to ethically and positively impact the employees, the communities we serve, and the financial institution and its stakeholders by focusing on five core initiatives:

1. **Health and Wellness.** This initiative brings our employees together in unique ways to spotlight issues of mind, body, and spirit that in one way or another affect us all. Among some of the more popular monthly topics of awareness the committee has focused on: exercise, healthy eating, women’s health, men’s health, and mental health.

2. **Environmental Sustainability.** The Environmental, Social and Governance Committee is focused on climate action and environmental impact, with specific efforts on conserving resources, waste reduction and recycling, and implementing sustainability measures at our physical office locations. A TerraCycle partnership has been formed with three specialized recycling bins for pens, batteries, and single-use coffee pouches like K-Cups.

3. **Financial Betterment.** The goals and mission are centered on initiatives the Company and Bank have worked on for many years, such as providing low interest loans, grants, tax credits, and educational materials and meetings offered by financial and insurance professionals. Among its many achievements, the Bank provided \$450,000 in EITC funds to 47 organizations throughout Pennsylvania in 2023.

4. **Diversity, Equity and Inclusion.** The focus of the Environmental, Social and Governance Committee is to engage a diverse workforce by creating a culture of inclusion where similarities, differences, complexities, and constructive dialogue are valued.

**5. Volunteerism.** The focus is on participation in charitable organizations and activities. We will continue to partner with verified 501(c)(3) charities that help provide affordable housing, small business support, financial literacy and education, youth activities, and many others. The intention is to create community engagement opportunities for FCCB employees that are meaningful, purposeful, and that help those in need. Some of the goals and accomplishments of this committee are to (1) encourage employees to join non-profit and community organizations in any capacity – such as volunteer coaching, and volunteering in soup kitchens and shelters, (2) volunteering on a special day of service, (3) overseeing and setting up quarterly group volunteer events in each region, and (4) championing the TEAM build project completed at the bank-wide Employee In-Service Day.

Since 1872, the Bank and the Company have been focused on strengthening the communities they serve. We accomplish this through volunteerism, corporate sponsorships, non-profit board service by associates, donations of physical assets, and advancing financial literacy and education.

We promote economic development through investment in community-strengthening initiatives like affordable housing. Throughout our footprint, we have invested \$15.1 million for the creation of new affordable housing.

The Company respects, values and invites diversity in our workforce, customers, suppliers, marketplace and community.

In December 2023, the Company expanded its market presence with the opening of its 39th office in the Williamsport region. This strategic move not only facilitated outreach to new clientele but also reinforced connections with existing clients, leveraging the company's established footprint in the northern tier of Pennsylvania.

In June 2023, the Company successfully concluded the acquisition of Huntingdon Valley Bank, integrating five additional full-service community offices into its branch network. The synergies resulting from this consolidation have empowered the Company to continue fostering the development of its personnel and enhancing organizational capabilities.

Achieving recognition for the 16<sup>th</sup> consecutive year, the Company was honored by American Banker as one of the top-performing community banks nationwide. This accolade, positioning the Company as the third-ranking institution in Pennsylvania and 54<sup>th</sup> nationally, underscores its commitment to excellence in financial services.

Through a dedicated partnership with the Home4Good program, the Company has actively supported individuals who are homeless or at risk of homelessness across Delaware and Pennsylvania. By allocating funding totaling nearly \$1.4 million to 18 projects, the Company has demonstrated its dedication to addressing critical social issues in the communities it serves.

With a longstanding commitment to the agriculture sector spanning over 150 years, the Company proudly sponsored Nick's Closet – an initiative aimed at providing official Future Farmers of America dress attire to participants. This contribution not only supports the agricultural community but also fosters opportunities for youth engagement and development. The Company also administered its annual Agricultural Scholarship program, designed to support senior high school students pursuing further education in agricultural-related fields.

Embracing its entry into the southeast Pennsylvania market, the Company orchestrated a series of engaging events to introduce its community banking ethos. From captivating community takeovers to charitable endeavors during Community Giveback Month, the Company has endeavored to make a positive and lasting impact on the regions it serves.

Furthermore, the Company's induction into the American Bankers Association Nasdaq Community Bank Index (ABAI) underscores its sustained financial performance and solidifies its position as a respected entity within the banking sector.

The Company is dedicated to being a financial industry leader in corporate governance and business ethics. Our Board of Directors is composed of Directors with diverse professional and business experience. All of our directors, other than Messrs. Black, Richards and Jones, are independent. Our directors share a commitment to fostering an effective risk environment coupled with a strong internal audit structure. Their unwavering commitment protects our customers, shareholders and reputation. Our Code of Ethics reflects the Company's expectation for the conduct of our directors, officers and associates. Through recurring training and disclosures, as well as periodic communication related to specific topics, the Company maintains the highest level of ethical conduct.

### **Clawback Policy**

The Company has in place a clawback policy to ensure that executives are not unduly enriched in the event of an accounting restatement. If we are required to prepare an accounting restatement due to material non-compliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Company shall recover the excess incentive compensation received by any covered executive during the three-years from the date it is determined an accounting restatement is required.

In the case of any accounting restatement, the Compensation/Human Resource Committee is required to:

- review all incentive compensation paid or awarded to covered executives during the recoupment period; and
- if any incentive compensation would have been lower based on the restatement, to recover the incremental portion of the incentive compensation in excess of what should have been paid based on the restated financials from the covered executive, subject to certain limited exceptions.

### **Hedging Policy**

Pursuant to the Company's Hedging Policy, no officer, employee or director of the Company may engage in any financial or derivative transaction or trading strategy designed to hedge or offset any decrease in the market value of the Company's common stock.

## Director Compensation

The following table sets forth information concerning the compensation of non-employee directors during the year ended December 31, 2023.

| Name                        | Fees Earned or Paid in Cash (\$) <sup>(1)</sup> | Stock Awards (\$) <sup>(2)</sup> | All Other Compensation (\$) <sup>(3)</sup> | Total (\$) |
|-----------------------------|---|----------------------------------|--|------------|
| Robert W. Chappell          | 43,157  | 12,376                           | 647  | 56,180     |
| Rinaldo A. DePaola          | 43,057  | 12,376                           | 647  | 56,080     |
| Thomas E. Freeman           | 40,432  | 12,376                           | 647  | 53,455     |
| Roger C. Graham, Jr.        | 43,457  | 12,376                           | 647  | 56,480     |
| Janie M. Hilfiger           | 40,882  | 12,376                           | 621  | 53,879     |
| E. Gene Kosa <sup>(4)</sup> | 42,607  | 12,376                           | 589  | 55,572     |
| Christopher W. Kunes        | 40,607  | 12,376                           | 647  | 53,630     |
| R. Joseph Landy             | 65,237  | 12,376                           | 647  | 78,260     |
| Alletta M. Schadler         | 40,882  | 12,376                           | 9,148 <sup>(5)</sup>                       | 62,406     |

- (1) Includes fees deferred at the election of the non-employee director pursuant to the Directors Deferred Compensation Plan.
- (2) Reflects the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 – Share Based Payment. The amounts were calculated based on the Company’s stock price of \$61.88 on the date of grant. For applicable directors, stock award amounts represent fully vested grants of 200 shares of common stock made under the 2016 Equity Incentive Plan and granted in 2023.
- (3) Consists of a life insurance benefit, spousal expense at a retreat, and holiday gifts.
- (4) Mr. Kosa is retiring from the Board immediately prior to the Annual Meeting.
- (5) Includes imputed income from a split dollar life insurance benefit of \$8,826.

The foregoing table reflects the following arrangements:

**Fees.** During 2023, each of our directors, other than Messrs. Black, Landy, Richards, and Jones, received the following fees for service on our Board of Directors: \$675 for attending a board meeting and strategic retreat or training session; \$26,375 annual retainer; \$350 monthly fee for committee meeting attendance; \$185 for participation in a Board conference call; and \$225 for attending a regional board meeting. Additionally, committee chairpersons for the Credit Committee, the Audit and Examination Committee, the Compensation/Human Resource Committee, and the Governance and Nominating Committee received a \$2,400 annual retainer. Mr. Landy, who serves as the Company’s and the Bank’s Chairman, received a fixed annual fee of \$64,337, in lieu of all director’s fees and committee member fees in 2023. Mr. Landy also received the regional board fee of \$225 per attended meeting.

**Deferred Compensation Plan.** The Company maintains the Directors Deferred Compensation Plan as a vehicle for non-employee directors to defer retainers and meeting fees. Participants are eligible for a distribution under the plan upon the earlier of death, disability, or separation from service as a non-employee director of the Company. At the election of each participant, distributions are made in either a lump sum or in a series of five annual installments. In addition, the plan provides for distributions in the event of an unforeseeable emergency as such term is defined under Section 409A of the Internal Revenue Code. Messrs. Kosa, Landy and Chappell are currently participating in the plan.

**Life Insurance.** In addition to these fees, each active director is provided a \$100,000 life insurance benefit. At age 70, the life insurance benefit for active directors is decreased by 35% to \$65,000. Retired directors have a life insurance benefit of \$50,000, and at age 70 this benefit decreases by 35% to \$32,500. Once a director retires, insurance coverage continues but the benefit declines as the age of the retired director increases. Total premiums paid in 2023 for life insurance on behalf of the current and retired directors was \$1,533.

**Stock Awards.** Non-employee directors received fully vested grants of stock under our 2016 Equity Incentive Plan.

### **Meetings of the Board of Directors**

The Board of Directors oversees all of the Company's business, property and affairs. The Chairman of the Board and the executive officers keep the members of the Board informed of the Company's business through discussions at Board meetings and by providing them reports and other materials. During 2023, the Company's Board of Directors held fourteen regular meetings. Each of the directors attended 93% of the total number of meetings of the Board and the total number of meetings held by all committees of the Board on which he/she served.

### **Meetings of the Regional Board**

The Board of Directors utilizes regional boards in communities currently served by the Bank. The regional boards are composed of well-respected people from the community, the regional executive, and regional or division presidents, and a member of the Board of Directors (who serves as a non-voting member of the regional board). The Board member serves as a communication link to share, with the regional board, the appropriate information occurring at Board of Directors' meetings, as well as communicating to the Board of Directors regional board issues and suggestions. Regional boards meet every other month. A fee of \$225 is paid for attendance at the regional board meetings.

### **Attendance at the Annual Meeting**

The Company expects its directors to attend annual meetings of shareholders. All 12 directors then serving attended the 2023 Annual Meeting of Shareholders.

### **Director Education**

On January 22, 2024, the Board attended a commercial real estate presentation by the Federal Reserve Bank. On December 19, 2023, the Board received net interest margin training. On November 21, 2023, the Board received training on current expected credit losses (CECL) methodology. On February 21, 2023, the Board participated in a rules and responsibilities session by Ardmore Banking Advisors, Inc. In addition, periodic training sessions for the Board occur during regularly scheduled board and committee meetings. Topics covered during these trainings in 2023 included shareholder migration, information technology, information security, cyber security, ransomware, Community Reinvestment Act lending, fair lending, digital banking, Bank Secrecy Act, anti-money laundering, Office of Foreign Assets Control, Nasdaq, agricultural/agribusiness updates, regional economic updates, and third-party reports from educational sources like: Abrigo, S&P Capital, Moody's Analytics, JLL Work Dynamics Research, Experian, and Axios. Additionally, Mr. Landy attended the PA Bankers Association convention in 2023, where he attended various banking educational sessions.

## AUDIT-RELATED MATTERS

### Report of the Audit and Examination Committee

The Audit and Examination Committee met with management periodically during the year to consider the adequacy of the Company's internal controls and the objectivity of its financial reporting. The Audit and Examination Committee discussed these matters with the Company's independent registered public accounting firm and with appropriate Company financial personnel and internal auditors. The Audit and Examination Committee also discussed with the Company's senior management and independent registered public accounting firm the process used for certifications by the Company's Chief Executive Officer and Chief Financial Officer which are required for certain Company filings with the SEC.

The Audit and Examination Committee meets with the independent registered public accounting firm, the internal auditors, the Chief Financial Officer, the Chief Operating Officer, and the Risk/Compliance Officer on a number of occasions, each of whom has unrestricted access to the Audit and Examination Committee.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal controls.

The independent registered public accounting firm audited the annual financial statements prepared by management, expressed an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of the Company in conformity with U.S. generally accepted accounting principles and discussed with the Audit and Examination Committee any issues the independent registered public accounting firm believed should be raised with the Audit and Examination Committee.

The Audit and Examination Committee reviewed with management and S.R. Snodgrass, P.C. the Company's audited financial statements, as well as the audit of management's assessment of internal control over financial reporting and met separately with both management and S.R. Snodgrass, P.C. to discuss and review those financial statements and reports prior to issuance. Management has represented, and S.R. Snodgrass, P.C. has confirmed, to the Audit and Examination Committee, that the financial statements were prepared in accordance with U.S. generally accepted accounting principles.

The Audit and Examination Committee has received the written disclosures and the letter from S.R. Snodgrass, P.C. required by applicable requirements of the Public Company Accounting Oversight Board regarding S.R. Snodgrass, P.C.'s communications with the Audit and Examination Committee concerning independence, and has discussed with S.R. Snodgrass, P.C. its independence. The Audit and Examination Committee also discussed with S.R. Snodgrass, P.C. matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301. The Audit and Examination Committee implemented a procedure to monitor auditor independence, reviewed audit and non-audit services performed by S.R. Snodgrass, P.C., and discussed with the auditors their independence.

In reliance on these reviews and discussions referred to above, the Audit and Examination Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, for filing with the SEC. The Audit and Examination Committee and the Board have also recommended the selection of S.R. Snodgrass, P.C. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2024.

The Audit and Examination Committee  
of Citizens Financial Services, Inc. and First Citizens Community Bank

E. Gene Kosa (Chairman)  
Thomas E. Freeman  
Roger C. Graham, Jr.  
Janie M. Hilfiger  
Alletta M. Schadler



## Audit Fees

The following table sets forth the fees billed to the Company for the fiscal years ended December 31, 2023 and 2022, respectively, by S.R. Snodgrass, P.C.:

|                                 | Year Ended December 31, |                  |
|---------------------------------|-------------------------|------------------|
|                                 | 2023                    | 2022             |
| Audit Fees <sup>(1)</sup>       | <b>\$371,566</b>        | \$205,262        |
| Audit-Related Fees              | -                       | -                |
| Tax Service Fees <sup>(2)</sup> | <b>\$14,162</b>         | \$13,900         |
| All Other Fees <sup>(3)</sup>   | <b><u>\$76,780</u></b>  | <u>\$68,073</u>  |
| <b>TOTAL</b>                    | <b><u>\$462,508</u></b> | <u>\$287,235</u> |

(1) Audit fees consist of fees for professional services rendered for the audit of the Company's financial statements and internal controls over financial reporting and review of financial statements included in the Company's quarterly SEC reports, a Form S-4MEF filing, a Form S-3 filing, a Form 8-K/A filing, and compliance audits required by HUD.

(2) Tax service fees consist of compliance fees for the preparation of original tax returns.

(3) All other fees include network security attack and penetration testing, consulting services related to regulatory compliance, and facilitation of strategic planning and enterprise risk management sessions with management and the Board of Directors.

The Audit and Examination Committee is responsible for appointing and overseeing the work of the independent auditing firm. In accordance with its charter, the Audit and Examination Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent auditing firm. Such approval process ensures that the external auditor does not provide any non-audit services to the Company that are prohibited by law or regulation.

In addition, the Audit and Examination Committee has established a policy regarding pre-approval of audit and permissible non-audit services provided by the independent auditing firm. Management's requests that particular services by the independent auditing firm be pre-approved under the auditor services policy must be specific as to the particular services to be provided.

The request may be made with respect to either specific services or a type of service for predictable or recurring services.

During the year ended December 31, 2023, all audit and non-audit services were approved, in advance, by the Audit and Examination Committee in compliance with these procedures.

## STOCK OWNERSHIP

### Stock Ownership of Management and Directors

The following table sets forth the information concerning the number of shares of Company common stock beneficially owned, as of February 26, 2024, by each director continuing in office, by each nominee for director, by each named executive officer in the compensation table set forth later in this proxy statement, and by all directors and executive officers as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, none of the shares listed are pledged as security, and each of the named individuals has sole voting power and sole investment power with respect to the number of shares shown.

| Name of Beneficial Owner                                 | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|---|------------------|
| Randall E. Black   | 42,544 <sup>(1)</sup>                     | *                |
| Robert W. Chappell                                       | 11,001                                    | *                |
| Rinaldo A. DePaola                                       | 17,689 <sup>(2)</sup>                     | *                |
| Thomas E. Freeman  | 13,949 <sup>(3)</sup>                     | *                |
| Roger C. Graham, Jr.                                     | 62,068 <sup>(4)</sup>                     | 1.3%             |
| Janie M. Hilfiger  | 2,121 <sup>(5)</sup>                      | *                |
| Mickey L. Jones  | 14,280 <sup>(6)</sup>                     | *                |
| E. Gene Kosa   | 6,404 <sup>(7)</sup>                      | *                |
| Christopher W. Kunes                                     | 10,960                                    | *                |
| R. Joseph Landy  | 26,270 <sup>(8)</sup>                     | *                |
| David Z. Richards, Jr.                                   | 1,454 <sup>(9)</sup>                      | *                |
| Alletta M. Schadler                                      | 28,996                                    | *                |
| Executive Officers and Directors as a Group (19 persons) | 276,689 <sup>(10)</sup>                   | 5.9%             |

\* Less than 1%.

<sup>(1)</sup> Mr. Black beneficially owns 1,796 shares individually, 40,438 shares jointly with his spouse, and 310 shares are held by his spouse.

<sup>(2)</sup> Mr. DePaola beneficially owns 7,276 shares individually, 8,268 shares jointly with his spouse, and his remaining 2,145 shares are held by his spouse.

<sup>(3)</sup> Mr. Freeman beneficially owns 13,949 shares jointly with his spouse. Of the 13,949 jointly owned shares, 4,000 shares are pledged as collateral on a loan.

<sup>(4)</sup> Of the 62,068 beneficially owned shares, 5,015 shares are pledged as collateral on a loan.

<sup>(5)</sup> Mrs. Hilfiger beneficially owns 1,536 shares individually, and 585 shares jointly with her spouse.

<sup>(6)</sup> Mr. Jones beneficially owns 425 shares individually, 12,991 shares jointly with his spouse, and 864 shares are held by his spouse.

<sup>(7)</sup> Mr. Kosa beneficially owns 5,479 shares jointly with his spouse, 903 shares in an investment club, and his remaining 22 shares are held by his spouse.

<sup>(8)</sup> Mr. Landy beneficially owns 16,558 shares individually, and 9,712 shares jointly with his spouse.

<sup>(9)</sup> Includes 1,078 shares of restricted stock for which Mr. Richards has voting but not investment power.

<sup>(10)</sup> Includes 1,323 shares of restricted stock beneficially owned by executive officers not individually listed in the table for which the executive officer has voting but not investment power.

## Stock Ownership of 5% Shareholders

The following table presents common stock ownership information for persons known to us to beneficially own more than 5% of the Company's stock as of the record date of February 26, 2024.

| <u>Name of Beneficial Owner</u> | <u>Amount and Nature of Beneficial Ownership</u> | <u>Percent of Class</u> |
|---------------------------------|--|-------------------------|
| BlackRock, Inc.                 | 281,347 <sup>(1)</sup>                           | 6.0%                    |

- <sup>(1)</sup> Based on a Schedule 13G filed on January 29, 2024 by BlackRock, Inc. ("BlackRock"), which listed its address as 50 Hudson Yards, New York, NY 10001. BlackRock possesses sole voting power with respect to 276,512 shares of common stock and possesses sole dispositive power with respect to 281,347 shares of common stock. BlackRock has indicated that it filed the Schedule 13G on behalf of the following subsidiaries: BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, National Association, BlackRock Financial Management, Inc. and BlackRock Investment Management, LLC.

## ITEMS TO BE VOTED ON BY SHAREHOLDERS

### Item 1 Election of Directors

The Company's Board of Directors consists of twelve members. The Board is divided into three classes with three-year staggered terms, known as Class 1, Class 2 and Class 3. The Class 1 directors to be elected at this Annual Meeting will serve for three-year terms. The remaining Class 2 and Class 3 directors will continue to serve for one and two years, respectively, in order to complete their three-year terms.

The Board of Directors fixed the number of directors in Class 1 at three and has nominated Robert W. Chappell, Roger C. Graham, Jr., and R. Joseph Landy for election as Class 1 directors to hold office for three-year terms to expire at the 2027 Annual Meeting of Shareholders or until their successors are duly elected and qualified. All Board nominees are currently directors of the Company and the Bank.

Director Gene Kosa, whose term expires in 2024, will retire at the 2024 Annual Meeting and therefore will not be standing for election.

Unless you indicate on your proxy card or via the Internet that your shares should not be voted for certain nominees, the Board of Directors intends that the proxies solicited by it will be voted for the election of all of the Board's nominees. If any nominee is unable to serve, the persons named on the proxy card would vote your shares to approve the election of any substitute nominee proposed by the Board of Directors. At this time, the Board of Directors knows of no reason why any nominees might be unable to serve.

**The Board of Directors unanimously recommends that you vote "FOR" the election of the Board's nominees.**

Information regarding the Board of Directors' nominees and the directors continuing in office is provided below. Ages are as of February 26, 2024. Based on their respective experiences, qualifications, attributes and skills set forth below, the Board of Directors determined that each current director should serve as a director.

## **Nominees for Election as Class 1 Directors – Terms to Expire in 2027**

**Robert W. Chappell** is an attorney-at-law. He operates the Law Office of Robert W. Chappell, Esq. located in Rome, Pennsylvania. Previously, Mr. Chappell was a partner with the Law Offices of van der Hiel, Chappell and Loomis. Mr. Chappell's 29 years expertise as a partner in a law firm and his involvement in business and civic organizations in the communities in which the Bank serves provide the Board valuable insight. Mr. Chappell's years of providing legal counsel and operating a law office position him well to continue to serve as a director for the Company. Mr. Chappell is Chairman of the Compensation/Human Resource Committee. Age 57. Director of the Company and the Bank since 2006.

**Roger C. Graham, Jr.** is retired from Graham Construction and Excavating. Mr. Graham owned and operated Graham Construction & Excavating for 20 years. As a retired, successful business owner, Mr. Graham has a knowledgeable skill set that positions him well to continue to serve as a director for the Company. Mr. Graham is Chairman of the Credit Committee. Age 68. Director of the Company and the Bank since 2001.

**R. Joseph Landy** is an attorney-at-law with the firm of Landy & Rossettie, PLLC, formerly Landy & Landy Attorneys at Law, located in Sayre, Pennsylvania. Mr. Landy's 45 years expertise as a partner in a law firm and his involvement in business and civic organizations in the communities in which the Bank serves provide the Board valuable insight. Mr. Landy's years of providing legal counsel and operating a law office position him well to continue to serve as a director for the Company. Mr. Landy is Chairman of the Board of Directors. Age 69. Director of the Company and the Bank since 2001.

## **Continuing Class 2 Directors – Terms to Expire in 2025**

**Thomas E. Freeman** is a retired regional manager with Blue Ridge Communications in Mansfield, Pennsylvania. Mr. Freeman worked in business for 43 years. His business expertise and involvement in numerous civic and philanthropic organizations provide valuable insight to the Board and position him well to serve as a director for the Company. Age 63. Director of the Company and the Bank since 2010.

**Christopher W. Kunes** is president/owner of Christopher Kunes General Contracting, a construction business located in State College, Pennsylvania. Mr. Kunes has successfully managed this construction business for 36 years. Mr. Kunes also has business interest in agriculture, masonry, restaurant, real estate development and management, along with other markets. His broad experience makes him an asset as a director for the Company. Age 59. Director of the Company and Bank since December 2018.

**David Z. Richards, Jr.** has served as an Executive Vice President of the Bank since 2017. In 2023 he was named Senior Executive Vice President of the Bank. Prior to 2017, Mr. Richards was an Executive Vice President for S&T Bancorp, Inc. from 2014-2017, and was Chief Executive Officer/Executive Vice President of Nittany Bank/National Penn Bank from 1997 to 2014. Mr. Richards has extensive knowledge and experience in the banking industry, providing valuable insight in the daily and strategic operation of the Bank, positioning him well to be an employee director. Age 63. Director of the Company and the Bank since December 2017.

**Alletta M. Schadler** is co-owner and manager of the Farmer's Pride Airport, a privately owned, public-use airport in Fredericksburg, Pennsylvania, and a retired home economist, family living agent and director from Penn State Extension in Lebanon County, Pennsylvania. Ms. Schadler worked for Penn State Extension for 30 years and has been co-owner of the airport since 1990. She is a former director of The First National Bank of Fredericksburg. Her business expertise and involvement in civic and philanthropic organizations provide valuable insight to the Board and position her well to serve as a director for the Company. Age 88. Director of the Company and the Bank since 2015.

### **Continuing Class 3 Directors – Terms to Expire in 2026**

**Randall E. Black** has served as the Chief Executive Officer and President of the Company and the Bank since 2004, and prior to 2004 was the Chief Financial Officer of the Bank. Mr. Black was named Vice Chairman of the Board of Directors in December 2021. Mr. Black's 31 years of extensive experience in the banking industry and involvement in business and civic organizations in the communities in which the Bank serves afford the Board valuable insight regarding the business and operation of the Bank. Mr. Black's knowledge of the Company's and Bank's business and history, combined with his success and strategic vision, position him well to continue to serve as our Chief Executive Officer and President. Mr. Black is President of 1<sup>st</sup> Realty of PA, LLC, a subsidiary of the Bank. Additionally, Mr. Black is a Class A Federal Reserve Bank Director, Deputy Chair of the Federal Reserve Bank Audit Committee, a Pennsylvania State University Board of Trustees member, Chair of the Pennsylvania State University Audit and Risk Committee, the First Vice Chair of the Pennsylvania Bankers Association Board of Directors, is a Bloomsburg University Zeigler College of Business Executive Advisory Board member, and is a Pennsylvania College of Technology Board member. Age 57. Director of the Company and the Bank since 2004.

**Rinaldo A. DePaola** is a retired partner of the law firm of Griffin, Dawsey, DePaola & Jones located in Towanda, Pennsylvania. Mr. DePaola was an attorney-at-law for 39 years, retiring in 2021, specializing in business, probate and trust matters. Mr. DePaola's involvement in business and civic organizations in the communities in which the Bank serves provide the Board valuable insight. Mr. DePaola's years of providing legal counsel and operating a law office position him well to continue to serve as a director for the Company. Mr. DePaola is Chairman of the Governance and Nominating Committee. Age 68. Director of the Company and the Bank since 2006.

**Janie M. Hilfiger** is president of UPMC Susquehanna Soldiers & Sailors Memorial Hospital in Wellsboro, Pennsylvania and Cole Memorial, now UPMC, in Coudersport, Pennsylvania. Mrs. Hilfiger has over 42 years of health care expertise in strategic planning, clinical operations, nursing and patient care excellence. Her broad experience and valuable insight make her an asset as a director for the Company. She is also involved in business and civic organizations in the communities in which the Bank serves. Age 65. Director of the Company and the Bank since 2022.

**Mickey L. Jones** has served as an Executive Vice President and the Chief Operating Officer of the Company and the Bank since April 2010, and served as Chief Financial Officer from April 2010 to November 2019. In 2023 Mr. Jones was named Senior Executive Vice President and Chief Operating Officer for the Company and the Bank. Mr. Jones has strong accounting and financial skills, is a certified public accountant, and has experience with operational risk management, strategic planning and corporate governance matters. Age 63. Treasurer of the Company and the Bank since 2004. Director of the Company and the Bank since 2020 and 2018, respectively.

### **Executive Officers Who Are Not Directors**

Set forth below is information regarding the Company's and the Bank's executive officers who do not serve as directors of the Company.

| Name                 | Age as of<br>February<br>26, 2024 | Principal Occupation<br>for Past Five Years   |
|----------------------|-----------------------------------|---|
| Zerick D. Cook       | 49                                | Executive Vice President, Chief Credit Officer for the Bank since 2020. Prior to 2020, he was Senior Vice President, Chief Credit Officer for the Bank since 2019. Prior to 2019 was Senior Vice President, Senior Credit Officer for Riverview Bank since 2018. Prior to 2018 was Senior Vice President, Director of C&I, and State College Regional Executive for Riverview Bank since 2017. Prior to 2017 was Senior Vice President, Business Services Officer for Branch Banking and Trust Co. (formerly Susquehanna Bank) from 2015. Prior to 2015 was Senior Vice President, Commercial Executive for Branch Banking and Trust Co. (BB&T Bank) from 2014. |
| LeeAnn Gephart       | 40                                | Executive Vice President, Chief Banking Officer for the Bank since 2021. Prior to 2021, she was Executive Vice President, Chief Marketing Officer for Riverview Bank since 2019. Prior to 2019 was Senior Vice President, Director of Marketing and Delivery Channel Services for Riverview Bank since 2018. Prior to 2018 was Vice President, Chief Marketing & Culture Officer for Woodlands Bank since 2015.   |
| Stephen J. Guillaume | 47                                | Executive Vice President and Chief Financial Officer of the Company and Bank since 2023. Prior to 2023 was Senior Vice President and Chief Financial Officer of the Company and the Bank since 2019. Prior to November 2019 was Vice President of Finance of the Bank since April 2013. Mr. Guillaume is a member of the First Citizens Insurance Agency Inc. Board since 2021. Mr. Guillaume is the first cousin of Randall E. Black.  |
| Jeffrey L. Wilson    | 62                                | Executive Vice President, Chief Lending Officer for the Bank since 2016. Prior to 2016 was Senior Vice President, Chief Lending Officer. Prior to 2011 was Vice President, Chief Lending Officer since 2010. Prior to 2010 was a Vice President, Business Development Officer since 1987 for First Citizens.  |

Executive officers are elected annually by, and serve at the discretion of, the Board.

## **Item 2 Ratification of Independent Registered Public Accounting Firm**

The Audit and Examination Committee of the Board is responsible for selecting the Company's independent public accounting firm. At its meeting held on December 19, 2023, the Audit and Examination Committee, appointed S.R. Snodgrass, P.C. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2024. Although shareholder approval of this appointment is not required, the Board is submitting the selection of S.R. Snodgrass, P.C. for ratification to obtain the views of shareholders. A representative of S.R. Snodgrass, P.C. will be present at the Annual Meeting to respond to appropriate questions from shareholders and will have the opportunity to make a statement should he or she desire to do so.

If ratification of the appointment of S.R. Snodgrass, P.C. is not approved by a majority of the votes cast by shareholders at the Annual Meeting, other independent registered public accounting firms will be considered by the Audit and Examination Committee of the Board of Directors.

**The Board unanimously recommends that you vote "FOR" ratification of the appointment of S.R. Snodgrass, P.C. as the Company's independent registered public accounting firm for fiscal year 2024.**

### **Item 3 Advisory Vote on Executive Compensation**

The Board is committed to excellence in governance. As part of that commitment, and as required by federal securities laws, the Board is providing the Company's shareholders with an opportunity to approve, on a non-binding advisory, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission, including the "Compensation Discussion and Analysis," the compensation tables and the related narrative discussion contained in this Proxy Statement.

This proposal, commonly known as a "say-on-pay" proposal, gives the Company's shareholders the opportunity to endorse or not endorse the Company's executive compensation program and policies through the following resolution:

"Resolved, that the compensation of the named executive officers, as described in the tabular disclosure regarding named executive officer compensation and the accompanying narrative disclosure in this proxy statement, is hereby approved."

Because the vote is advisory, it will not be binding upon the Company or the Board. However, the Compensation/Human Resource Committee will review and consider the outcome of the vote when making future executive compensation arrangements.

**The Board unanimously recommends a vote "FOR" approval of the compensation of the named executive officers.**

### **Item 4 Advisory Vote on the Frequency of the Shareholder Vote on Executive Compensation**

As part of the Board's commitment to excellence in corporate governance, and as required by federal securities laws to occur at least every six years, the Board is providing the Company's stockholders with an opportunity to provide a non-binding advisory vote on the frequency of the advisory vote on the compensation of the Company's named executive officers. The last frequency vote was held at the 2018 Annual Meeting of Shareholders at which shareholders voted to hold the advisory vote on the compensation of the Company's named executive officers every three years. The proposal gives the Company's shareholders the opportunity to recommend whether the frequency of a shareholder vote on the compensation of the named executive officers will be every one, two, or three years. Shareholders may also abstain from voting on the frequency of a shareholder vote on executive compensation.

Because the vote is advisory, it will not be binding upon the Company or the Board. However, the Compensation/Human Resource Committee will review and consider the outcome of the vote when determining and recommending to the Board the frequency of a shareholder vote on executive compensation. The Board values constructive dialogue on executive compensation and other important governance topics with our shareholders. The Board believes an advisory vote every year will provide an effective way to obtain information on shareholder sentiment about our executive compensation program by allowing adequate time for the Corporation to respond to shareholders' feedback and engage with shareholders to understand and respond to the vote results.

This vote is advisory in nature and therefore will not bind us to adopt any particular frequency. However, the Board intends to carefully consider the shareholder vote resulting from the proposal in determining how frequently we will hold "say-on-pay" votes.

**The Board of Directors unanimously recommends that shareholders vote "ONE YEAR" with respect to the non-binding advisory vote on the frequency of the shareholder vote to approve the compensation of the named executive officers. Note: Shareholders are not voting to approve or disapprove this recommendation.**

## Compensation/Human Resource Committee Report

The Compensation/Human Resource Committee has reviewed the Compensation Discussion and Analysis that is provided by the rules established by the Securities and Exchange Commission. Based on such review and discussion, the Compensation/Human Resource Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement. See “*Compensation Discussion and Analysis*.”

The Compensation/Human Resource Committee  
of Citizens Financial Services, Inc. and First Citizens Community Bank

Robert W. Chappell (Chairman)  
Rinaldo A. DePaola  
Thomas E. Freeman  
Christopher W. Kunes  
R. Joseph Landy  
Alletta M. Schadler

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

The following discussion provides a description of our decision-making process and philosophy for compensating our named executive officers in 2023. This discussion also describes the material components of each named executive officer’s total compensation package and details the reasoning behind the decisions made in 2023. This discussion should be read together with the compensation tables for our named executive officers located in the “*Executive Compensation*” section of this proxy statement.

Our 2023 named executive officers are Randall E. Black – Chief Executive Officer/President, Mickey L. Jones – Senior Executive Vice President/Chief Operating Officer, and David Z. Richards, Jr. – Senior Executive Vice President/Director of Emerging Markets.

### Executive Summary

It is the intent of the Compensation/Human Resource Committee to provide our named executive officers with a total compensation package that is market competitive, promotes the achievement of our strategic objectives and is aligned with operating and other performance metrics to support long-term shareholder value. In addition, we have structured our executive compensation program to include elements that are intended to create an appropriate balance between risk and reward.

### Fiscal Year 2023 Company Performance

The Company had net income of \$17.8 million for 2023, which was \$11.2 million less than 2022’s net income of \$29.1 million. The decrease was due to the one-time costs associated with acquisition of Huntingdon Valley Bancorp, Inc. (“HVB”). With the increase in market interest rates, organic loan growth was lower in 2023 than 2022 and totaled \$44.0 million. Additionally, higher market interest rates resulted in additional pressure on the Company’s deposit pricing during 2023 which also impacted the Company’s margin. The Company worked to strategically integrate HVB throughout 2023.

Highlights for the 2023 year include:

- *Earning levels.* For the year ended December 31, 2023, net income totaled \$17.8 million, which was impacted by the one-time costs associated with the acquisition of HVB, which after tax totaled \$11.1 million. Revenue growth was strong due to the HVB acquisition and higher market rates, as interest income increased \$43.8 million, or 52.5%. Net interest income before the provision for loan loss



increased \$8.1 million, or 11.3%, compared to 2022 levels and was due to the increase in size of the Company due to the HVB acquisition.

- *Solid performance metrics.* Basic earnings per share of \$4.06 for 2023 compared to basic earnings per share of \$7.25 for 2022. If the one-time costs of the HVB acquisition are excluded, basic earnings per share would have been \$6.56 for 2023 compared to \$7.32 for 2022. Return on equity for the years ended December 31, 2023 and 2022 was 6.52% and 12.98%, respectively, while return on assets was 0.66% and 1.29%, respectively. If the one-time costs of the HVB acquisition are excluded, return on equity for the years ended December 31, 2023 and 2022 was 10.52% and 13.11%, respectively, while return on assets was 1.07% and 1.30%, respectively.
- *Growth.* Total assets increased \$641.9 million, or 27.5%, to close the year at \$2.98 billion as of December 31, 2023, compared to \$2.33 billion at December 31, 2022, due to the acquisition closing in the second quarter of 2023. Net loans ended 2023 at \$2.23 billion, an increase of 30.6% or \$521.2 million, which was primarily due to the HVB acquisition. Total deposits increased \$477.3 million, to \$2.32 billion at December 31, 2023 as a result of the HVB acquisition.
- *Asset quality.* Asset quality remains solid for the Company. Non-performing assets totaled \$13.2 million as of December 31, 2023 compared to \$7.5 million as of December 31, 2022. Non-accrual loans and loans past due 90 days or more increased \$5.8 million, with \$3.7 million due to the HVB acquisition and the remaining \$2.1 million increase primarily related to two customers. Foreclosed assets decreased \$69,000. As a result, the ratio of non-performing assets to total loans was 0.59% at December 31, 2023 compared to 0.43% at December 31, 2022. Annualized net charge-offs remain low at 0.06% for 2023.
- *Shareholder return.* Cash dividends per share increased 3.1% for the year ended December 31, 2023, resulting in \$1.94 per share being paid, compared to \$1.88 per share being paid for the year ended December 31, 2022.

Refer to Appendix A for a reconciliation of non-GAAP to GAAP measures.

### ***Fiscal Year 2023 Compensation Decisions***

Against the backdrop of our solid financial performance and shareholder return, the Compensation/Human Resource Committee, based in part on input from our Chief Executive Officer/President, took the following actions related to our named executive officers' compensation and benefit arrangements for 2023:

- ***Chief Executive Officer/President.*** The Board of Directors conducted a performance review of Mr. Black during 2022 for purposes of determining his 2023 compensation. The Board of Directors concluded that Mr. Black continues to exhibit strong business and leadership skills and is moving the Company in a direction that continues to enhance long-term shareholder value. Based on this review, the Board of Directors approved a 6.33% increase in Mr. Black's compensation. In addition, the Company allowed the term of Mr. Black's employment agreement to extend through June 2026.
- ***Other Named Executive Officers.*** Mr. Black conducted a performance review of our other named executive officers and determined that the officers continue to contribute greatly to the success of the Company and its affiliates. Based on this review, the Board of Directors approved a 6.19% increase in Mr. Jones' compensation and a 3.85% increase in Mr. Richards' compensation. In addition, the Company allowed the terms of the change in control agreement with Mr. Jones to extend through January 19, 2027 and allowed the terms of the change in control agreement with Mr. Richards to extend through December 9, 2026.
- ***Annual Incentives.*** As a result of our strong financial performance and the successful achievement of individual performance goals, our named executive officers earned awards under our Annual Incentive Plan for 2022 and the awards were distributed in the second calendar quarter of 2023. The awards (if

any) under the Annual Incentive Plan for 2023 have not yet been determined; however, the Compensation/Human Resource Committee expects the plan calculations to be made and awards determined (if any) by June 2024. See “*Performance-Based Compensation*” for additional information on the Annual Incentive Plan for 2023. See also “*Grants of Plan-Based Awards During 2023*” for information on potential incentive awards under the Annual Incentive Plan for 2023.

## **Say-on-Pay**

In 2021, we provided our shareholders with a non-binding advisory vote on the compensation of our named executive officers (a “say-on-pay” vote). At our 2021 annual meeting of shareholders, approximately 96% of the votes cast approved our advisory vote on executive compensation. After considering our 2021 say-on-pay voting results and the advice from our compensation consultant, the Compensation/Human Resource Committee determined that it was appropriate to maintain the overall core design of our executive compensation program and, therefore, did not make any changes to the Company’s executive compensation program in response to the 2021 say-on-pay voting results. The Compensation/Human Resource Committee expects to consider future say-on-pay votes and investor feedback when making decisions relating to our executive compensation program, policies and practices.

## **Compensation Philosophy**

Our compensation and benefits program for our named executive officers is designed to provide a competitive compensation package which includes a performance-based component that is paid in cash and Company stock. Specifically, the program is designed to accomplish the following objectives:

- Align the interests of executives with the interests of shareholders in the creation of long-term shareholder value;
- Reinforce key business objectives and deliver executive benefits in a cost-effective manner;
- Encourage management ownership of our common stock; and
- Attract and retain talented members of senior management.

Management and our Compensation/Human Resource Committee work together to ensure that our named executive officers are held accountable and rewarded for delivering superior performance and enhanced shareholder returns.

## **Elements of Our Compensation and Benefits Program**

To achieve our objectives, we structured a compensation and benefit program that provides our named executive officers with the following:

- Base salary;
- Performance-based cash compensation through our Annual Incentive Plan;
- Long-term equity awards through our Annual Incentive Plan;
- Retirement benefits; and
- Employment and change in control agreements.

The elements of a named executive officer’s total compensation package vary depending upon the executive’s job position and responsibilities.

## Base Salary

Base salaries are used to reward our executives for performing the core responsibilities of their positions and to provide them with a level of security with respect to a portion of their total compensation. The Compensation/Human Resource Committee considers compensation information sourced by S&P Capital IQ, American Bankers Association Compensation and Benefits Survey Report, Balanced Comp Salary & Incentive Survey, Blanchard Consulting Group Salary and Cash Compensation Survey, Compdata US Salary Surveys, Crowe Bank Compensation and Benefits Survey, Economic Research Institute's Salary Assessor, and Mercer US FSS: Financial Services Suite of Surveys, as provided by our compensation consultants, when determining base salaries for our named executive officers, along with other factors, such as an executive's qualifications, experience, position responsibilities and performance in relation to established goals. See "*Peer Group*" for information on the financial institutions that make up our peers for 2023. The Compensation/ Human Resource Committee reviews the base salaries for our named executive officers on an annual basis.

## Performance-Based Compensation

Our Annual Incentive Plan is designed to recognize and reward participants for their collective and individual contributions to our success. The objectives of the Annual Incentive Plan are to: (i) reward results, not effort; (ii) align our strategic plan, budget and shareholder interests with participant performance; (iii) motivate and reward participants for achieving and potentially exceeding performance goals; (iv) align incentive pay with performance; (v) enable us to attract and retain the talent needed to drive our success, and (vi) encourage teamwork across the Company and Bank. The Compensation/Human Resource Committee in consultation with executive management administers the Annual Incentive Plan. All of our named executive officers participated in the Annual Incentive Plan during 2023. The Annual Incentive Plan awards (if any) will be paid out in cash and, with respect to Mr. Richards only, grants of restricted stock in accordance with the terms of the Annual Incentive Plan.

The incentive award opportunities noted below are shown as a percentage of base salary. For purposes of the Plan, "base salary" is defined as compensation earned by a participant for services rendered, excluding the following items: profit sharing contributions, discretionary incentive compensation, cash payments received for waiving employer-paid health insurance, cell phone allowances and fringe benefits.

| <u>Name</u>            | <u>2023 Annual Incentive Plan Opportunities</u> |               |                |
|------------------------|---|---------------|----------------|
|                        | <u>Minimum</u>                                  | <u>Target</u> | <u>Maximum</u> |
| Randall E. Black       | 50.0%   | 75.0%         | 100.0%         |
| Mickey L. Jones        | 37.5%   | 56.3%         | 75.0%          |
| David Z. Richards, Jr. | 17.5%   | 26.3%         | 35.0%          |

The performance period under the Annual Incentive Plan is the calendar year. However, the administrative procedures necessary to calculate the awards under the Annual Incentive Plan have not yet been completed for 2023. The Company expects to receive the peer group data necessary to calculate the incentive awards (if any) by the end of June 2024. If at least one of the applicable performance measures is achieved above the threshold performance level, then plan participants will receive a payout under the Annual Incentive Plan at the discretion and, subject to the approval, of the Compensation/Human Resource Committee and/or Board. If our named executive officers receive a payout under the Annual Incentive Plan, the payout will be distributed in cash and, with respect to Mr. Richards only, through grants of restricted shares of Company common stock. The total award is dependent upon the executive's achievement of his performance goals and job position. See "*Grants of Plan-Based Awards During 2023*" for information on potential payouts under the Annual Incentive Plan.

## **Performance Measures under the Annual Incentive Plan for 2023**

There are two (2) categories in which performance is measured under the Annual Incentive Plan: Company/Bank performance and branch/departmental performance. The Company/Bank performance goals focus on core measures of profitability, risk and compliance, credit quality and efficiency of Company and Bank resources.

For 2023, our Company/Bank goals consisted of return on equity compared with a regional peer group (using a three year average for 2023), efficiency ratio (compared to a regional peer group using a three year average for 2023), net interest income growth (compared to a regional peer group using a three year average for 2023), non-performing assets to total assets (compared to a regional peer group using a three year average for 2023), and net charge-offs to average total loans (using a three year average for 2023). An overall satisfactory regulatory rating, and individual employee performance review rating of competent are required. Should these measures not be met, no incentive award is granted. Branch goals included various measures, most notably loan and deposit growth, and branch profitability targets. Departmental goals included various projects, strategic initiatives and work performance measurements. The Annual Incentive Plan's components have varying weights assigned, as well as varying award opportunities based upon job function.

The following chart sets forth the 2023 goal weighting for our named executive officers:

| <u>Name</u>            | <u>Company/Bank</u> | <u>Branch/Departmental</u> |
|------------------------|---------------------|----------------------------|
| Randall E. Black       | 85%                 | 15%                        |
| Mickey L. Jones        | 80%                 | 20%                        |
| David Z. Richards, Jr. | 50%                 | 50%                        |

## **Long-Term Equity Incentives/Stock Grant Practices**

Certain executives and members of senior management who participate in our Annual Incentive Plan, including our named executive officers, and who are not retirement eligible (as defined in the Bank's tax qualified retirement plan) receive payment of awards under the Annual Incentive Plan, if any, 70% in the form of cash and 30% in the form of restricted stock granted under our 2016 Equity Incentive Plan. The purpose of paying a portion of the Annual Incentive Plan awards earned by these executives, if any, in the form of restricted stock is to further align their interests with shareholder interests, closely link their compensation with our performance, and maintain high levels of executive stock ownership. The grants of restricted stock are tied to satisfaction of performance goals set forth under our Annual Incentive Plan. See "*Performance-Based Compensation*" for information on specific performance goals for our named executive officers. In general, restricted stock awards vest ratably over a three-year period commencing on the first anniversary of the date of grant and continuing each anniversary date thereafter, subject to the executive's continued employment through the applicable vesting date. Mr. Richards is our only named executive officer who is not retirement eligible and receives a portion of his earned Annual Incentive Plan awards, if any, in the form of restricted stock. Mr. Richards' restricted stock award agreements provide that vesting will accelerate in the event of death, disability, retirement, change in control or involuntary termination without cause. Pursuant to the terms of the Annual Incentive Plan, Mr. Black and Mr. Jones, who are both retirement eligible, may elect to receive their earned Annual Incentive Awards, if any, 100% in the form of cash or up to 30% in the form of stock. Messrs. Black and Jones each have elected to receive 100% of their earned Annual Incentive Plan awards, if any, in the form of cash.

The Compensation/Human Resource Committee's process with respect to the determination of grant dates is made after carefully considering our timing of earnings releases and/or other material nonpublic information to ensure that there is no manipulation of the market to an executive's benefit. Similarly, we never time the release of material nonpublic information to affect the value of executive compensation. In general, the release of such information reflects established timetables for the disclosure of material nonpublic information such as earnings reports or, with respect to other events reportable under federal securities laws, the applicable requirements of such laws with respect to timing of disclosure.

## Retirement Benefits

We provide retirement benefits to our named executive officers through our tax-qualified defined benefit pension plan, our tax-qualified defined contribution plan, and non-qualified supplemental executive retirement plans (“SERPs”). Effective January 1, 2008, we converted our traditional defined benefit pension plan to an account balance-based pension plan, which is also referred to as a cash balance plan. Under our cash balance plan, participants are credited with a percentage of their compensation each year and, upon termination of employment, may receive their benefit in a lump sum or in monthly installments. Our tax-qualified defined contribution plan (the “401(k) plan”) provides our eligible employees with a vehicle to defer a portion of their compensation and invest their elective deferrals in a variety of investment funds. In addition, the 401(k) plan provides for an employer safe harbor matching contribution to eligible participants equal to 100% of a participant’s elective deferrals that are not in excess of 1% of the participant’s compensation, plus 50% of the participant’s elective deferrals that exceed 1% of compensation. In no event will the employer safe harbor matching contributions exceed 3.5% of a participant’s compensation in a plan year. Mr. Richards is not eligible to participate in the cash balance plan due to his hire date. Mr. Richards, however, is eligible to receive an annual discretionary 401(k) plan contribution from the Bank equal to a percentage of his base compensation. We view our retirement benefits as a means of providing financial security to our employees after they have spent a substantial portion of their careers with us.

In addition to our cash balance plan and 401(k) plan, we also provide Mr. Black and Mr. Jones with SERP benefits. The SERPs serve to help us attract and retain executive talent by providing each executive with a supplemental retirement benefit equal to a specific percentage (Mr. Black 16.4% and Mr. Jones 13.6%) multiplied by the average annual cash compensation earned by each executive during the three (3) completed calendar years preceding the executive’s termination of employment. All of our named executive officers are 100% vested in their respective accrued SERP benefit. The SERP benefits are intended to provide supplemental retirement benefits to the executives. Under the defined benefit pension plan, tax qualifications are limited by certain IRS provisions. We believe providing SERP benefits to our top management is consistent with the retirement benefits provided to similarly situated executives in our peer group. See *“Executive Compensation—Retirement Benefits”*.

We have also implemented a non-qualified deferred compensation plan to provide supplemental funds for retirement for eligible employees through discretionary annual contributions made by the Bank. The non-qualified deferred compensation plan also allows eligible employees to elect to defer receipt of all or a portion of their base salary and/or bonus compensation until a future date. The Bank implemented this plan in December 2018.

## Employment Agreement

We currently maintain an employment agreement with Mr. Black that we believe is consistent with the agreements provided to senior executive officers in our peer group. The Compensation/Human Resource Committee believes that the employment agreement with Mr. Black serves the interests of our Company and its shareholders by providing stability in management, outlining the terms and conditions of employment and ensuring that if a change in control is ever under consideration, Mr. Black will be able to advise our board of directors about the potential transaction in the best interests of shareholders, without being unduly influenced by personal considerations of losing his job. See *“Executive Compensation—Employment Agreement”*.

## Role of Compensation/Human Resource Committee

The Compensation/Human Resource Committee reviews and approves all of the elements of compensation for Mr. Black and Mr. Jones annually to ensure we are competitive in the marketplace and that the mix of benefits accurately reflects our compensation philosophy. The Compensation/Human Resource Committee operates under a written charter that establishes its responsibilities. The Compensation/Human Resource Committee reviews the charter annually to ensure that the scope of the charter is consistent with the Compensation/Human Resource Committee’s role. Under the charter, the Compensation/ Human Resource Committee is also charged with general responsibility for the oversight and administration of the Bank and Company sponsored compensation and benefit plans. The charter also authorizes the Compensation/ Human Resource Committee to engage consultants and other professionals without management approval to the extent deemed necessary to discharge its responsibilities. During 2023, the Compensation/Human Resource Committee retained the services of Blanchard Consulting Group to assist the Compensation/Human Resource Committee in performing its various duties within industry practice. Blanchard

Consulting Group advised the committee on compensation programs for senior management and executives of the Bank.

When making compensation decisions, the Compensation/Human Resource Committee considers salary survey data to understand compensation paid to similarly situated executives in our peer group. See “*Peer Group*” for a list of the publicly traded financial institutions that make up our peers. In addition to peer data, our Compensation/Human Resource Committee also looks at internal pay equity, individual and company performance and relative shareholder return when making compensation decisions.

### **Role of Management**

Management provides data, analyses, input and recommendations to the Compensation/Human Resource Committee through Mr. Black. The Compensation/Human Resource Committee gives significant weight to Mr. Black’s evaluation of each named executive officer’s performance and recommendation of appropriate compensation. However, Mr. Black does not participate in any decisions relating to his own compensation. The Vice President, Human Resources Manager provides Mr. Black with salary survey data for purposes of considering base pay adjustments for Mr. Richards. Mr. Black provides the Board of Directors with salary survey data for purposes of considering base pay adjustments for Mr. Jones.

### **Role of Compensation Consultant**

During 2023, the Compensation/Human Resource Committee retained the services of Blanchard Consulting Group to assist the Compensation/Human Resource Committee in performing its various duties within industry practice. Blanchard Consulting Group advised the committee on compensation programs for senior management and executives of the Bank. Additionally, the Committee utilized data provided by S&P Capital IQ, American Bankers Association Compensation and Benefits Survey Report, Balanced Comp Salary & Incentive Survey, Blanchard Consulting Group Salary and Cash Compensation Survey, Compdata US Salary Surveys, Crowe Bank Compensation and Benefits Survey, Economic Research Institute’s Salary Assessor, and Mercer US FSS: Financial Services Suite of Surveys, and L.R. Webber Associates, Inc. to evaluate the salary ranges and incentive awards for our named executive officers.

### **Peer Group**

The Compensation/Human Resources Committee considers information about the practices and financial performance of its peers when making compensation decisions. The Compensation/Human Resources Committee reviews our peer group and determines if adjustments are necessary to reflect the business model and demographics of the Company. Our incentive peer group is disclosed by the Compensation/Human Resource Committee, but we might use information from other institutions when looking at compensation. In 2023, our incentive peer group, which was unchanged from 2022, other than the removal of Bank of Delmarva due to its acquisition in 2023, consisted of the following community banks and thrifts in Pennsylvania and New York with total assets between \$1.4 billion and \$3.7 billion:

| <b>Financial Institution</b>     | <b>City / Town</b> | <b>State</b> |
|----------------------------------|--------------------|--------------|
| Adams County National Bank       | Gettysburg         | PA           |
| Chemung Canal Trust Company      | Elmira             | NY           |
| Citizens & Northern Bank         | Wellsboro          | PA           |
| First Keystone Community Bank    | Berwick            | PA           |
| F&M Trust                        | Chambersburg       | PA           |
| Orrstown Bank                    | Shippensburg       | PA           |
| Jersey Shore State Bank          | Williamsport       | PA           |
| Peoples Security Bank & Trust    | Hallstead          | PA           |
| QNB Bank                         | Quakertown         | PA           |
| AmeriServ Financial              | Johnstown          | PA           |
| Ephrata National Bank            | Ephrata            | PA           |
| First National Community Bank    | Dunmore            | PA           |
| PeoplesBank                      | York               | PA           |
| Fidelity Deposit & Discount Bank | Dunmore            | PA           |
| ESSA Bank & Trust                | Stroudsburg        | PA           |

### **Executive Perquisites**

We annually review the perquisites that we make available to our named executive officers. The primary perquisites for our named executive officers are certain club dues.

### **Stock Ownership Guidelines**

We do not maintain stock ownership guidelines for our named executive officers. However, all of our named executive officers participate in our Annual Incentive Plan and we believe they generally maintain a meaningful interest in our Company stock through their participation in the plan and through individual purchases and holdings outside the plan. See “*Stock Ownership*” for information on Company stock owned by our named executive officers.

### **Tax and Accounting Considerations**

In evaluating compensation program alternatives, the Compensation/Human Resource Committee has considered the potential impact of Section 162(m) of the Internal Revenue Code. Section 162(m) generally disallows a tax deduction to public corporations for compensation over \$1 million paid for any fiscal year to their chief executive officers and certain other current and former named executive officers. The Compensation/Human Resource Committee believes it is important to maintain flexibility in designing compensation programs that it considers to be effective and in the best interests of our stockholders, even if that approach results in payments that are not deductible under Section 162(m).

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table provides information concerning the total compensation awarded, earned or paid to the principal executive officer and principal financial officer of the Company and our one other most highly compensated executives. These three officers are referred to as our “named executive officers” in this proxy statement.

| Name and Principal Position   | Year | Salary (\$)            | Bonus (\$) <sup>(7)</sup> | Stock Awards (\$) <sup>(1)</sup> | Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup> | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(3)</sup> | All Other Compensation (\$) <sup>(4)</sup> | Total (\$) |
|---|------|------------------------|---------------------------|----------------------------------|--|---|--|------------|
| Randall E. Black<br><i>CEO &amp; President of the Company and Bank</i>  | 2023 | 575,000                | 250                       | 16,676                           | -  | 57,397  | 90,084                                     | 739,407    |
|   | 2022 | 590,751 <sup>(5)</sup> | 250                       | 20,944                           | 561,226  | 186,483   | 85,228                                     | 1,444,882  |
|   | 2021 | 575,011 <sup>(6)</sup> | 250                       | 13,712                           | 505,608  | 418,139   | 136,159                                    | 1,648,879  |
| Mickey L. Jones<br><i>Senior Executive Vice President, Chief Operating Officer, Treasurer of the Company and Bank</i> | 2023 | 350,000                | 250                       | 9,255                            | -  | 110,138   | 52,534                                     | 522,177    |
|   | 2022 | 329,600                | 250                       | 11,660                           | 229,293  | 101,151   | 51,294                                     | 723,248    |
|   | 2021 | 320,000                | 250                       | 8,404                            | 205,493  | 161,221   | 49,332                                     | 744,700    |
| David Z. Richards, Jr.<br><i>Senior Executive Vice President, Director of Emerging Markets</i>                        | 2023 | 300,000                | 250                       | 45,109                           | -  | -   | 62,223                                     | 407,582    |

(1) Reflects the aggregate grant date fair value computed in accordance with Financial Accounting Board Accounting Standards Codification Topic 718– Share Based Payment based on the per share price on the date of grant (\$83.38 per share for the grants to Messrs. Black and Jones). For 2023, the stock award for Mr. Black constituted 200 fully vested shares. For 2022, the stock award for Mr. Jones constituted 111 fully vested shares. For 2023, the stock awards for Mr. Richards constituted a grant of 242 restricted shares, based on a per share price of \$61.98, that vest in three approximately equal annual installments commencing on December 28, 2024, a grant of 359 restricted shares, based on a per share price of \$83.38, that vest in three approximately equal annual installments commencing on June 29, 2024, awarded upon the achievement of certain performance goals set forth in the Company’s Annual Incentive Plan, as well as 2 shares received for years of service, based on a per share price of \$88.06, which shares were vested upon grant. The 359 restricted shares granted to Mr. Richards relate to the equity portion of the Annual Incentive Plan for performance related to calendar year 2022.

(2) Represents cash awards earned by each executive under the Annual Incentive Plan. Amounts for 2023 have not yet been determined. We expect to be able to determine the Annual Incentive Plan awards for 2023 by the end of June 2024.

(3) Represents increase/(decrease) in pension value for tax-qualified and supplemental pension benefits for the executive officer.

(4) Amounts stated in this column for 2023 consist of:

| Name                   | 401(k) Match Contribution (\$) | Life Insurance Premiums (\$) | Auto Benefits (\$) | Club Dues (\$) | Deferred Compensation Plan Award (\$) | Miscellaneous (\$) <sup>(a)</sup> | Total (\$) |
|------------------------|--------------------------------|------------------------------|--------------------|----------------|---------------------------------------|-----------------------------------|------------|
| Randall E. Black       | 11,550                         | 5,128                        | 7,860              | 4,319          | 57,500                                | 3,727                             | 90,084     |
| Mickey L. Jones        | 11,550                         | 2,772                        | -                  | 1,589          | 35,000                                | 1,623                             | 52,534     |
| David Z. Richards, Jr. | 20,700                         | 2,772                        | 6,000              | -              | 30,000                                | 2,751                             | 62,223     |



- (a) Miscellaneous items would include, if applicable: gross up on years of service award, cash dividends on restricted stock, stock dividends on restricted stock, imputed income from split dollar bank owned life insurance, Christmas gift, and insurance opt out.

- (5) Includes \$50,001 paid out for unused vacation time.  
(6) Includes \$50,000 paid out for unused vacation time.  
(7) Represents a Christmas bonus paid to all eligible employees.

## CEO Pay Ratio

The CEO pay ratio for 2023 is not calculable at this time because Mr. Black's 2023 Annual Incentive Plan award has not yet been determined. In accordance with Securities and Exchange Commission rules, we will disclose the CEO pay ratio for 2023 once Mr. Black's bonus amount for 2023 is determined, which we anticipate will occur by the end of June 2024.

## Pay Versus Performance

As required by Item 402(v) of Regulation S-K, we are providing the following information regarding the relationship between executive compensation and our financial performance for each of the last two completed calendar years. In determining the "compensation actually paid" to our named executive officers, we are required to make various adjustments to amounts that have been previously reported in the Summary Compensation Table in previous years, as the SEC's valuation methods for this section differ from those required in the Summary Compensation Table. The table below summarizes compensation values both previously reported in our Summary Compensation Table, as well as the adjusted values required in this section for the 2021 to 2023 calendar years. Note that compensation for our named executive officers ("NEOs") other than our Chief Executive Officer ("CEO") is reported as an average.

| Year | Summary Comp. Table Total for CEO (\$) | Comp. Actually Paid to CEO <sup>(2)</sup> (\$) | Average Summary Comp. Table Total for Non-CEO NEOs <sup>(3)</sup> (\$) | Average Comp. Actually Paid to Non-CEO NEOs <sup>(2)</sup> (\$) | Value of Initial Fixed \$100 Investment Based On TSR | Net Income (\$) <sup>(1)</sup> |
|------|--|--|--|---|--|--------------------------------|
| 2023 | 739,407 <sup>(4)</sup>                 | 730,501 <sup>(4)</sup>                         | 464,880 <sup>(4)</sup>   | 429,416 <sup>(4)</sup>  | 87.69  | 17,811                         |
| 2022 | 1,444,882                              | 1,325,720                                      | 469,497  | 443,438   | 148.10   | 29,060                         |
| 2021 | 1,648,879                              | 1,418,622                                      | 462,656  | 423,070   | 112.91   | 29,118                         |

(1) Presented in thousands.

(2) Compensation actually paid ("CAP") is defined by the SEC and is computed by starting with the "Total" column of the Summary Compensation Table ("SCT") for each year and then:

- subtracting the amount in the "Restricted Stock Awards" column of the SCT for such year,
- adding, for all unvested equity awards granted during the reporting year and outstanding on the last day of the reporting year, the fair value as of the last day of the reporting year, utilizing the same assumptions as the Outstanding Equity Awards at 2023 Fiscal Year-End table below.
- adding, for all unvested equity awards granted prior to the reporting year and outstanding on the last day of the reporting year, the change in fair value from the last day of the preceding year to the last day of the reporting year, utilizing the same assumptions as the Outstanding Equity Awards at 2023 Fiscal Year-End table below.
- adding, for equity awards vesting during the reporting year, the change in fair value from the last day of the preceding year to the vesting date,
- adding the value of any dividends or other earnings paid in the reporting year on unvested equity awards that are not otherwise included in the total compensation for the reporting year,

- subtracting the amount in the “Change in Pension Value & Nonqualified Deferred Compensation Earnings” column of the SCT for such year, and
- adding, for all defined benefit and actuarial pension plans, (A) the service cost, calculated as the actuarial present value attributable to services rendered during the reporting year, plus (B) the prior service cost, calculated as the entire cost of benefits granted in a plan amendment during the reporting year that are attributed by the benefit formula to services rendered in periods prior to the amendment.

For this purpose, the fair value of equity awards is computed in a manner consistent with the fair value methodology used to report Outstanding Equity Awards at Fiscal Year-End. This may result in a difference in the share value input used for the fair value calculation at year-end when compared to the share value used for performance-based share awards at time of award. The following tables reflect the adjustments made to SCT total compensation to compute CAP for the position of CEO and average CAP for our other NEOs:

| <b>CEO SCT Total to CAP Reconciliation</b>                                | <b>2023</b>       | <b>2022</b>         | <b>2021</b>         |
|---|-------------------|---------------------|---------------------|
| SCT Total Compensation  | \$ 739,407        | \$ 1,444,882        | \$ 1,648,879        |
| SCT Stock Awards  | (16,676)          | (20,944)            | (13,712)            |
| Fair Value of New Unvested Equity Awards                                  | —                 | —                   | —                   |
| Change in Fair Value of Existing Unvested Equity Awards                   | —                 | —                   | —                   |
| Change in Fair Value of Vesting Equity Awards                             | —                 | —                   | 13,702              |
| Fair Value of New Vested Equity Awards                                    | 16,676            | 20,944              | 13,702              |
| Fair Value as of Prior Year-end of Equity Awards Forfeited                | —                 | —                   | —                   |
| Dividends on Unvested Equity Awards                                       | —                 | —                   | —                   |
| SCT Change in Pension Value & Nonqualified Deferred Compensation Earnings | (57,397)          | (186,483)           | (418,139)           |
| Service Cost & Prior Service Cost   | 48,491            | 67,321              | 172,200             |
| <b>CAP</b>  | <b>\$ 730,501</b> | <b>\$ 1,325,720</b> | <b>\$ 1,418,622</b> |

| <b>Average Non-CEO NEOs SCT Total to CAP Reconciliation</b>               | <b>2023</b>       | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|-------------------|
| SCT Total Compensation  | \$ 464,880        | \$ 469,497        | \$ 462,656        |
| SCT Stock Awards  | (27,182)          | (10,037)          | (8,305)           |
| Fair Value of New Unvested Equity Awards                                  | 19,448            | 4,757             | 4,097             |
| Change in Fair Value of Existing Unvested Equity Awards                   | (2,862)           | 1,074             | 448               |
| Change in Fair Value of Vesting Equity Awards                             | 2                 | 687               | 3,863             |
| Fair Value of New Vested Equity Awards                                    | 4,716             | 5,830             | 4,202             |
| Fair Value as of Prior Year-end of Equity Awards Forfeited                | —                 | —                 | —                 |
| Dividends on Unvested Equity Awards                                       | 765               | 303               | 849               |
| SCT Change in Pension Value & Nonqualified Deferred Compensation Earnings | (55,069)          | (48,463)          | (80,611)          |
| Service Cost & Prior Service Cost   | 24,718            | 19,790            | 35,870            |
| <b>CAP</b>  | <b>\$ 429,416</b> | <b>\$ 443,438</b> | <b>\$ 423,070</b> |

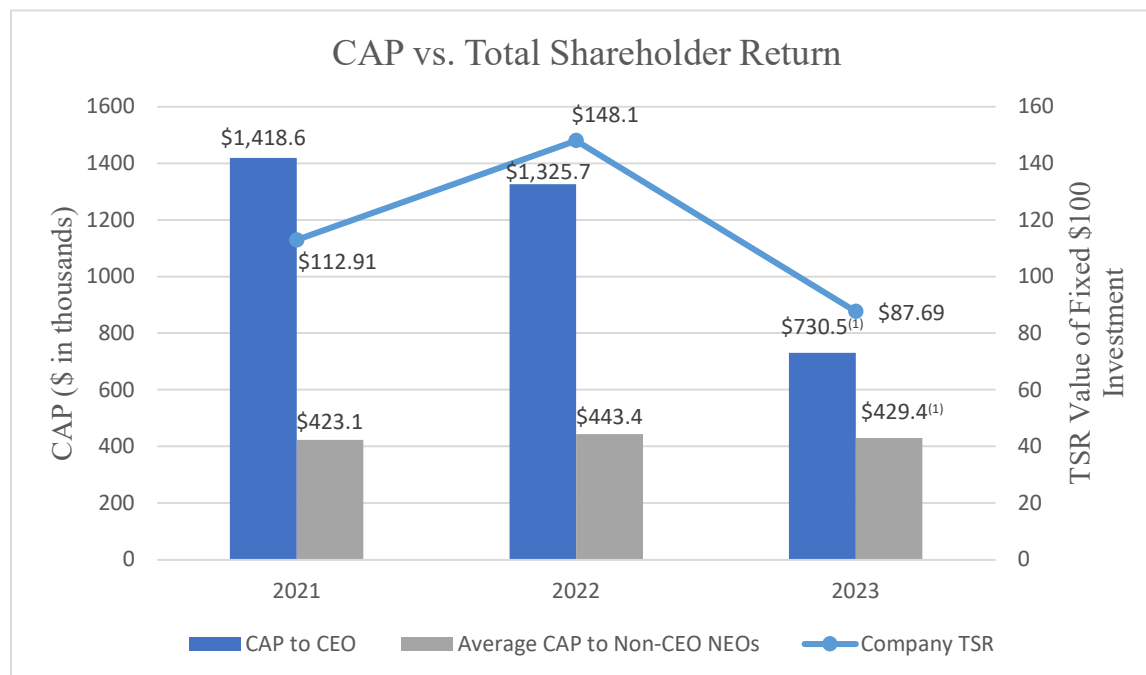
(3) The Non-CEO NEOs for each year are as follows:

- For 2023: Mickey L. Jones and David Z. Richards, Jr.
- For 2022: Mickey L. Jones and Stephen J. Guillaume
- For 2021: Mickey L. Jones and Stephen J. Guillaume

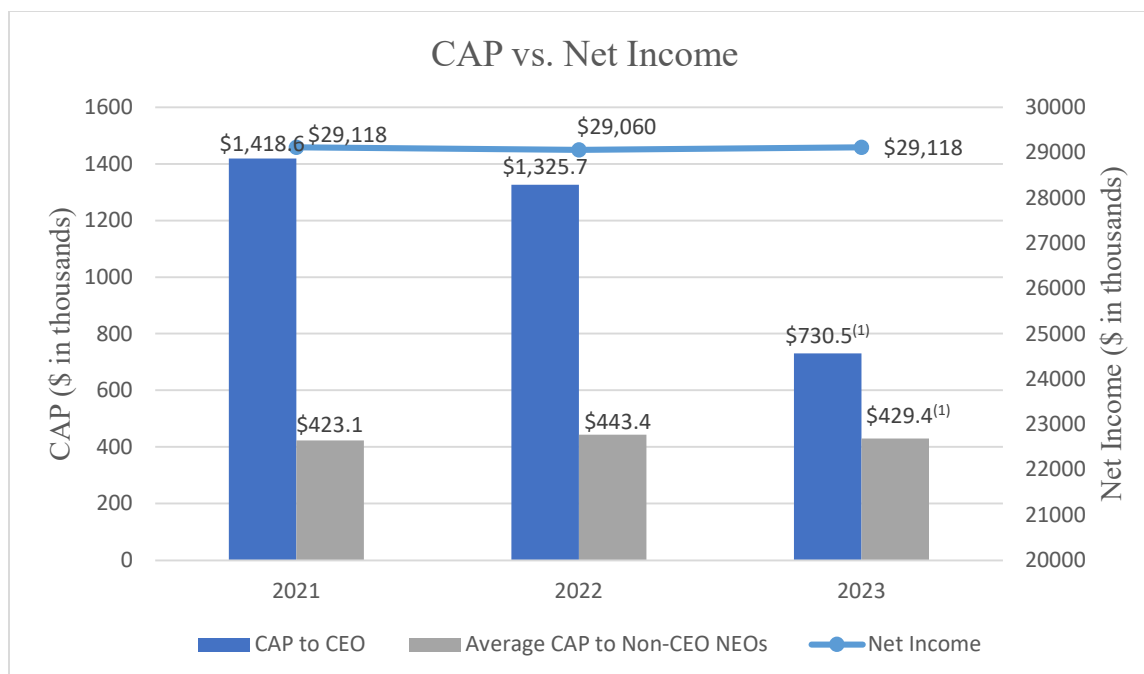
- (4) Amounts for 2023 do not reflect any award payable to the Company’s named executive officers under the Annual Incentive Plan and the award amounts for 2023 have not yet been determined. We expect to be able to determine the Annual Incentive Plan awards for 2023 by the end of June 2024.

### Relationship Between Pay and Performance

Below are graphs showing the relationship of “compensation actually paid” to our CEO and the average for our Non-CEO NEOs in 2021, 2022 and 2023 relative to (i) the total shareholder return of our common stock and (ii) our net income.



- (1) Amounts for 2023 do not reflect any award payable to the Company’s named executive officers under the Annual Incentive Plan and the award amounts for 2023 have not yet been determined. We expect to be able to determine the Annual Incentive Plan awards for 2023 by the end of June 2024.



(1) Amounts for 2023 do not reflect any award payable to the Company’s named executive officers under the Annual Incentive Plan and the award amounts for 2023 have not yet been determined. We expect to be able to determine the Annual Incentive Plan awards for 2023 by the end of June 2024.

## Employment Agreement

The Company and the Bank are parties to an employment agreement with Mr. Black. The employment agreement provides for a three-year term, which automatically renews on June 1 of each year to maintain a three-year term, unless either party notifies the other party in writing at least 90 days prior to June 1 of such party’s intent not to renew the agreement beyond the existing term, or the agreement is terminated by the Company, the Bank or Mr. Black in accordance with its terms. The current term of the employment agreement expires on June 1, 2026. The employment agreement provides for an annual salary review, however in no event may the base salary be reduced below the base salary in effect at the time of such review. In addition to base salary, the employment agreement provides for, among other things, participation in various employee benefit plans, as well as furnishing certain fringe benefits available to similarly situated executive personnel.

The employment agreement contains a restrictive covenant which prohibits Mr. Black from engaging in employment that would compete with the services provided by the Company and the Bank. In addition, the restrictive covenant contains a non-solicitation clause. The duration of the restrictive covenant varies based on the circumstances of the executive’s termination of employment. In the event Mr. Black is terminated by the Company or the Bank for Cause (as defined in the agreement) the term of the restrictive covenant is one (1) year from the executive’s termination date. In the event the executive voluntarily resigns with or without Good Reason (as defined in the agreement) or the Company or Bank terminates his employment without Cause, the term of the restrictive covenant will be two (2) years from his termination date. In the event of termination following a Change in Control (as defined in the agreement) which results in the payment of severance under the employment agreement, the executive will be subject to the restrictive covenant for a period of three (3) years following his termination of employment. The employment agreement provides for an exception to the restrictive covenant in the event the executive’s employment is terminated by the Company or the Bank for Cause or he terminates his employment without Good Reason. Under these circumstances, the executive may engage in the practice of public accounting and will not be deemed in violation of the restrictive covenant in his employment agreement. See “Executive Compensation - Potential Post-Termination Benefits” for information on termination benefits provided under the employment agreement.

## Change in Control Agreement

The Bank (and the Company as guarantor) are parties to a change in control agreement with Mr. Jones, which provides potential post-termination benefits if, within one year following a change in control, his employment is involuntarily terminated, his title, responsibilities, or salary are reduced, or his duties, location of employment or benefits are reduced or changed as set forth in the agreement. The agreement provides for a three-year term, which automatically renews on January 19 of each year to maintain a three-year term, unless either party notifies in writing the other party at least 90 days prior to January 19 of such party's intent not to renew the agreement beyond the existing term, or the agreement is terminated by the Bank or the executive for reasons set forth in the agreement. The current term of the change in control agreements expires on January 19, 2027.

The Bank (and the Company as guarantor) are parties to a change in control agreement with Mr. Richards, which provides potential post-termination benefits if, within one year following a change in control, his employment is involuntarily terminated, his title, responsibilities, or salary are reduced, or his duties, location of employment or benefits are reduced or changed as set forth in the agreement. The agreement provides for a three-year term, which automatically renews on December 9 of each year to maintain a three-year term, unless either party notifies in writing the other party at least 90 days prior to December 9 of such party's intent not to renew the agreement beyond the existing term, or the agreement is terminated by the Bank or the executive for reasons set forth in the agreement. The current term of the change in control agreements expires on December 9, 2026.

See “*Executive Compensation - Potential Post-Termination Benefits*” for information on termination benefits provided under the change in control agreements.

## Grants of Plan-Based Awards During 2023

**Annual Incentive Plan.** The following table provides information on the estimated payouts that may be awarded to our named executive officers upon the achievement of performance goals under the Annual Incentive Plan for 2023. Annual incentive awards are distributed in a combination of cash and restricted stock to our named executive officers. Once granted, restricted stock awards earned under the Annual Incentive Plan are subject to the terms and conditions of our 2016 Equity Incentive Plan and vest over a period of three years.

| Name                   | Grant Date                | Estimated Future Payouts Under Non-Equity Incentive |           |           | Estimated Future Payouts Under Equity Incentive |        |         | All Other Stock Awards | Grant Date Fair Value of Stock Awards |
|------------------------|---------------------------|---|-----------|-----------|---|--------|---------|------------------------|---------------------------------------|
|                        |                           | Plan Awards <sup>(1)</sup>                          |           |           | Plan Awards                                     |        |         |                        |                                       |
|                        |                           | Threshold   | Target    | Maximum   | Threshold                                       | Target | Maximum |                        |                                       |
| Randall E. Black       |                           | \$287,500   | \$431,250 | \$575,000 | -   | -      | -       |                        |                                       |
|                        | 6/29/2023 <sup>(2)</sup>  | -   | -         | -         | -   | -      | -       | 200                    | \$16,676                              |
| Mickey L. Jones        |                           | \$131,250   | \$196,875 | \$262,500 | -   | -      | -       |                        |                                       |
|                        | 6/29/2023 <sup>(2)</sup>  | -   | -         | -         | -   | -      | -       | 111                    | \$9,255                               |
| David Z. Richards, Jr. |                           | \$52,500  | \$78,750  | \$105,000 | -   | -      | -       |                        |                                       |
|                        | 4/27/2023 <sup>(3)</sup>  |   |           |           |   |        |         | 2                      | \$176                                 |
|                        | 6/29/2023 <sup>(2)</sup>  |   |           |           |   |        |         | 359                    | \$29,934                              |
|                        | 12/28/2023 <sup>(4)</sup> |   |           |           |   |        |         | 242                    | \$14,999                              |

- (1) These columns illustrate the possible payouts for each of our named executive officers under our Annual Incentive Plan for 2023. With respect to Mr. Richards, a portion of the incentive opportunity under the Annual Incentive Plan is payable in Company common stock and a portion is paid in cash in accordance with the terms of the plan. The actual number of shares of restricted stock will be determined when the award is distributed in 2024.
- (2) Represents the date the Company granted restricted stock in connection with awards under the Annual Incentive Plan for performance related to calendar year 2022. Includes 200 shares granted to Mr. Black upon the achievement of certain performance goals, which shares were vested upon grant. Represents 111 shares granted to Mr. Jones upon the achievement of certain performance goals, which shares were vested upon grant. Represents 359 shares granted to Mr. Richards upon the achievement of certain performance goal that vest in three approximately equal annual installments commencing on June 29, 2024.
- (3) Represents two shares granted to Mr. Richards for years of service which shares were vested upon grant.
- (4) Represents a grant of 242 restricted shares that vest in three approximately equal annual installments commencing on December 28, 2024.

We maintain the Annual Incentive Plan for the purpose of aligning the employee incentive goals with our overall strategic plan. The Annual Incentive Plan requires participants to satisfy two components: corporate goals; and departmental/branch performance goals. For 2023, our Company/Bank goals consisted of return on equity compared with a regional peer group (using a three year average for 2023), efficiency ratio (compared to a regional peer group using a three year average for 2023), net interest income growth (compared to a regional peer group using a three year average for 2023), non-performing assets to total assets (compared to a regional peer group using a three year average for 2023), and net charge-offs to average total loans (using a three year average for 2023). An overall satisfactory regulatory rating, and individual employee performance review rating of competent are required and are incentive plan qualifiers. Should these measures not be met, no incentive award is granted. Branch goals included various measures, most notably loan and deposit growth, and branch profitability targets. Departmental goals included various projects, strategic initiatives and work performance measurements. The Compensation/ Human Resource Committee and/or Board retain the discretion to reduce payments under the Annual Incentive Plan.

The Annual Incentive Plan's components have varying weights assigned, as well as varying award opportunities based upon job function. The performance period for the Annual Incentive Plan for 2023 began on January 1, 2023 and ended on December 31, 2023. However, the Company is unable as of the date of this proxy statement to certify as to the satisfaction of the performance goals for 2023. For 2023, the weighting for Mr. Black's incentive award was 85% corporate goals and 15% branch/departmental goals, with a maximum payout of 100% of eligible compensation. For 2023, the weighting for Mr. Jones' incentive award was 80% corporate goals and 20% branch/departmental goals, with a maximum payout of 75% of eligible compensation. For 2023, the weighting for Mr. Richards' incentive award was 50% corporate goals and 50% branch/departmental goals, with a maximum payout of 25% of eligible compensation.

Pursuant to the terms of the Annual Incentive Plan, Mr. Black and Mr. Jones, who are both retirement eligible, elected to receive 100% of their earned Annual Incentive Plan awards, if any, in the form of cash. Mr. Richards, who is not retirement eligible, will receive his earned Annual Incentive Plan award, if any, 70% in the form of cash and 30% in the form of restricted stock. The grants of restricted stock vest ratably over a three-year period commencing on the first anniversary of the date of grant and continuing each anniversary date. Once issued, the awards of restricted stock granted in connection with the Annual Incentive Plan are subject to the terms and conditions of the underlying equity incentive plan.

**2016 Equity Incentive Plan.** The 2016 Equity Incentive Plan (the "2016 Plan") permits the Company, under the supervision of the Compensation/ Human Resource Committee, and subject to the approval of the Board of Directors, to make equity-based awards to employees and non-employee directors. The 2016 Plan provides for awards of both restricted stock and awards of stock without restrictions or other conditions. The purpose of these stock awards is to attract and retain competitively superior people, further align employees and non-employee directors with shareholder interest, closely link employee and non-employee compensation with the Company's performance, and maintain high levels of executive and non-employee stock ownership. The 2016 Plan also provides a component of the total compensation package offered to employees and reflects the importance placed on motivating and rewarding superior results with long-term incentives.

## Outstanding Equity Awards at December 31, 2023

The following table sets forth information concerning stock awards granted to the named executive officers that have not vested as of December 31, 2023. No stock options were outstanding at December 31, 2023.

| Name                   | Stock Awards  |  |
|------------------------|---|--|
|                        | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup> |
| Randall E. Black       | -   | -  |
| Mickey L. Jones        | -   | -  |
| David Z. Richards, Jr. | 1,078 <sup>(2)</sup>                                    | \$69,768   |

<sup>(1)</sup> Based upon the Company's closing stock price of \$64.72 on December 31, 2023.

<sup>(2)</sup> Includes 242 shares that vest in three equal annual installments commencing on December 28, 2024, 359 shares that vest in three equal annual installments commencing on June 29, 2024, 91 shares that vest in two equal installments on August 24, 2024 and August 24, 2025, 228 shares that vest in two equal installments on May 19, 2024 and May 19, 2025, 41 shares that will vest on August 2, 2024, and 117 shares that will vest on June 4, 2024.

## Stock Awards Vested During 2023

The following table sets forth information concerning restricted stock awards that vested during the year ended December 31, 2023 for each of our named executive officers. No stock options were acquired or exercised during the year ended December 31, 2023.

| Name                                  | Number of Shares or Units of Stock Acquired On Vesting | Value Realized on Vesting |
|---------------------------------------|--|---------------------------|
| Randall E. Black                      | -  | -                         |
| Mickey L. Jones                       | -  | -                         |
| David Z. Richards, Jr. <sup>(1)</sup> | 427  | \$34,343                  |

<sup>(1)</sup> Includes 185 shares that vested on May 19, 2023 at \$84.14 per share, 39 shares that vested on June 3, 2023 at \$81.52 per share, 117 shares that vested on June 4, 2023 at \$81.52 per share, 40 shares that vested on August 2, 2023 at \$79.20 per share, and 46 shares that vested on August 24, 2023 at \$62.86 per share

## Retirement Benefits

**Cash Balance Pension Plan.** Effective January 1, 2008, the Bank converted its traditional noncontributory tax-qualified defined benefit pension plan into a tax-qualified account balance pension plan, which is referred to as a cash balance plan. Participants in the former pension plan who were eligible employees (as defined in the plan) automatically became participants in the cash balance plan. Under the cash balance plan, a participant's account is the sum of the participant's opening balance (which is his or her benefit under the former defined benefit plan) and annual allocations and interest credits. The Bank credits each participant with an annual allocation if the participant has at least 1,000 hours of service with the Bank during the plan year. Each annual allocation is determined based on a percentage of the participant's "compensation" (as defined in the plan) and varies based on a participant's age. Annual cash balance plan allocations range between 3% and 8% of participant compensation.

**Supplemental Executive Retirement Agreement.** The Bank maintains non-tax-qualified SERPs with Mr. Black and Mr. Jones (collectively the “executives”). The SERPs provide each executive with an annual retirement benefit for a period of 15 years following separation from service, or lump sum distribution (other than for cause) on or after attaining age 62. This retirement benefit equals a benefit percentage (16.4% and 13.6% for Mr. Black and Mr. Jones, respectively) multiplied by the average annual cash compensation during the three completed calendar years preceding the termination of employment. Subject to the terms of the SERP, the executive may elect to receive the retirement benefit in an actuarially equivalent lump sum payment. All of our named executive officers are 100% vested in their accrued SERP benefit.

**Executive Deferred Compensation Plan.** The Bank maintains a non-tax qualified executive deferred compensation plan (“Deferred Compensation Plan”) for eligible employees designated by the board of directors. Each of the named executive officers are eligible to participate in the Deferred Compensation Plan. Under the Deferred Compensation Plan, each year the Bank may credit an annual contribution to a participant’s deferred compensation account as of January 1. The Bank may also credit other discretionary contributions to a participant’s deferred compensation account from time to time. Amounts credited to a participant’s account under the plan accrue earnings monthly equal to the highest deposit rate of the Bank. Participants vest in contributions made to the accounts on the earlier of (i) the date they both complete 15 years of service and attain age 55, (ii) the date they both complete 10 years of service and attain age 62, or (iii) the date they attain age 65. Participants also become 100% vested in their accounts upon their death or disability and upon a change in control of the Bank or the Company. Distributions are made from the Deferred Compensation Plan in either a lump sum or installments following a participant’s separation from service, death or upon a change in control. Participants forfeit all benefits under the plan if the Bank terminates their employment for cause.

Commencing in respect of compensation earned for services performed in calendar year 2023, each of the named executive officers is eligible to elect to defer the receipt of up to 100% of the executive’s base salary and/or bonus compensation earned for the applicable calendar year until a future date. The executive may elect to receive payment of any such deferred compensation upon his termination of employment, a specified future date, or the earlier of his termination of employment and a specified future date. The executive also may elect to receive accelerated payment of deferred amounts upon his death and/or a change in control of the Company or the Bank. The payment of deferred amounts will be made in one lump sum or in up to ten equal annual installments, as elected by the executive.

| Name                   | Executive Contributions in Last Fiscal Year (\$) | Registrant Contributions in Last Fiscal Year (\$) <sup>(1)</sup> | Aggregate Earnings in Last Fiscal Year (\$) <sup>(2)</sup> | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance at Last Fiscal Year End (\$) <sup>(3)</sup> |
|------------------------|--|--|--|---|---|
| Randall E. Black       | -  | 57,500   | 22,225   | -   | 492,126   |
| Mickey L. Jones        | -  | 35,000   | 7,641  | -   | 169,196   |
| David Z. Richards, Jr. | -  | 30,000   | 5,806  | -   | 128,556   |

(1) Contributions above are reflected for the named executive officers in the Summary Compensation Table.

(2) Aggregate earnings in the last fiscal year are not reflected for the named executive officers in the Summary Compensation Table.

(3) Of the amounts shown in this column, the following amounts were reported in the Summary Compensation Tables of the Company’s proxy statements for previous years: Mr. Black - \$299,375, Mr. Jones - \$121,734, Mr. Richards - \$0.

### Pension Benefits at December 31, 2023

The following table sets forth the actuarial present value of each named executive officer’s accumulated benefit under our tax-qualified and non-tax-qualified defined benefit plans, along with the number of years of credited service under the respective plans. No distributions were made under the plans in 2023. All of our named executive officers participate in our Account Balance Pension Plan except for Mr. Richards. Mr. Black and Mr. Jones also participate in SERPs.



| Name             | Plan Name  | Years of Credited Service (#) | Present Value of Accumulated Benefit (\$) |
|------------------|--|-------------------------------|---|
| Randall E. Black | First Citizens Community Bank Account Balance Pension Plan | 31                            | 587,080                                   |
|                  | Supplemental Executive Retirement Plan                     | 31                            | 1,684,719                                 |
| Mickey L. Jones  | First Citizens Community Bank Account Balance Pension Plan | 20                            | 437,816                                   |
|                  | Supplemental Executive Retirement Plan                     | 20                            | 846,866                                   |

### Potential Post-Termination Benefits

**Payments Made Upon Termination by the Company for Cause.** Under the terms of the employment and change in control agreements, our contracted named executive officers will receive no severance payments in the event of termination for cause. In addition, a termination for cause will also result in the forfeiture of all unvested restricted stock awards. Further, participants in the Annual Incentive Plan forfeit all rights to incentive opportunities as a result of a termination for cause. SERP participants and Deferred Compensation Plan participants will not receive any benefit upon termination for cause.

**Payments Made Upon Termination by the Company Without Cause or by the Executive for Good Reason.** In the event that the Company or the Bank chooses to terminate Mr. Black's employment for reasons other than for cause or, in the event of Mr. Black's resignation from the Company or the Bank for good reason, the Company shall pay Mr. Black a lump sum amount equal to two (2) times Mr. Black's base salary, minus applicable taxes and withholdings. In addition, for a period of one (1) year from the date of termination, Mr. Black shall receive continued health, life and disability insurance coverage under the same terms in effect during the one year prior to his termination. Except as provided below, neither Mr. Jones nor Mr. Richards receives any benefit under their respective change in control agreement in the event the Company terminates him without cause or he terminates employment for good reason prior to a change in control. All outstanding restricted stock awards will vest if the executive is terminated by the Company or the Bank without cause. Participants in the Annual Incentive Plan must be employed by the Bank on the date the benefits are paid. Therefore, if a participant terminates employment without cause or for good reason prior to payment under the Annual Incentive Plan, all rights to plan benefits are forfeited, unless otherwise determined by the Committee administering the plan. SERP participants will receive their vested accrued early termination benefit upon termination by the Company without cause or by the executive for good reason if they separate from service before age 62 and their normal retirement benefit if they separate from service on or after attaining age 62. Deferred Compensation Plan participants receive their vested account balance upon their separation from service.

**Payments Made Upon Disability.** Under the terms of Mr. Black's employment agreement, if his employment is terminated due to a disability, Mr. Black will be entitled to the same benefit as provided by the Company's long-term disability plan. Mr. Jones and Mr. Richards receive no benefit under their respective change in control agreements in the event their employment is terminated due to a disability; however, each of Mr. Jones and Mr. Richards will receive a benefit under the Company's long-term disability plan if he meets the requirements of the plan upon termination. All unvested restricted stock awards vest upon termination of employment due to disability. If a participant in the Annual Incentive Plan terminates his or her service with the Bank due to a disability prior to distribution of the award, the participant's award will be prorated based on the period of active employment with the Bank. SERP participants become fully vested and will receive their accrued early termination benefit upon termination due to disability if they separate from service before age 62 and their normal retirement benefit if they separate from service on or after attaining age 62. Deferred Compensation Plan participants become 100% vested upon disability and receive their vested account balance upon their separation from service.

***Payments Made Upon Death.*** Under his employment agreement, Mr. Black's estate is entitled to receive any compensation accrued, but unpaid, as of the date of the executive's death. Mr. Jones and Mr. Richards receive no death benefit under their respective change in control agreements. All unvested restricted stock awards vest upon death of an award recipient. In addition, if a participant in the Annual Incentive Plan dies prior to distribution of an award, the participant's award will be prorated based on the period of active employment with the Bank. If a SERP participant dies prior to a separation from service, the SERP participant's beneficiary will receive the normal retirement benefit the participant would have received if he were deemed to have attained his normal retirement age (age 62) immediately prior to his death. If he dies after a separation from service, his beneficiary will receive the remaining benefits that would have been made to him. Deferred Compensation Plan participants become 100% vested upon death with benefits paid to their beneficiary in a lump sum within 60 days.

***Payments Made Upon a Termination with a Change in Control*** In the event of a termination of employment in connection with a change in control, Mr. Black's employment agreement provides him with a lump sum amount equal to 2.99 times his base salary. In addition, for a period of 18 months from the date of termination or until Mr. Black secures substantially similar benefits through other employment, whichever shall occur first, Mr. Black is entitled to continued health, life and disability insurance coverage under the same terms in effect during the one year prior to his termination.

Under Mr. Jones' change in control agreement, if, within one year following a change in control, his employment is involuntarily terminated, his title, responsibilities, or salary are reduced, or his duties, location of employment or benefits are reduced or changed as set forth in the agreement, Mr. Jones will be entitled to receive a lump sum amount equal to one time his base salary. In addition, for a period of 18 months from the date of termination or until Mr. Jones secures substantially similar benefits through other employment, whichever shall occur first, he shall receive a continuation of health care, life and disability insurance in effect prior to his termination.

Under Mr. Richards' change in control agreement, if, within one year following a change in control, his employment is involuntarily terminated, his title, responsibilities, or salary are reduced, or his duties, location of employment or benefits are reduced or changed as set forth in the agreement, Mr. Richards will be entitled to receive a lump sum amount equal to one time his base salary. In addition, for a period of 18 months from the date of termination or until Mr. Richards secures substantially similar benefits through other employment, whichever shall occur first, he shall receive a continuation of health care, life and disability insurance in effect prior to his termination.

Section 280G of the Internal Revenue Code ("Section 280G") provides that severance payments that equal or exceed three times an individual's base amount are deemed to be "excess parachute payments" if they are contingent upon a change in control. An individual's base amount is equal to an average of the individual's Box 1, Form W-2 compensation for the five years preceding the year a change in control occurs (or such lesser number of years if the individual has not been employed for five years). Individuals receiving excess parachute payments are subject to a 20% excise tax on the amount of the payment in excess of the base amount, and the employer may not deduct such amount for federal tax purposes. The employment and change in control agreements limit payments made to the executives in connection with a change in control to amounts that will not exceed the limits imposed by Section 280G.

In addition, all outstanding restricted stock awards will vest upon a change in control. SERP participants who have not separated from service and have not attained their normal retirement age (age 62) prior to a change in control will receive their normal retirement benefit (determined without regard to their age or years of service at the time of the change in control) paid in an actuarial equivalent lump sum within ten days of the change of control. Participants that have attained their normal retirement age will receive their normal retirement benefit after their separation from service. Deferred Compensation Plan participants become 100% vested and will receive their account balance in a lump sum within 30 days following a change in control.

***Payments Made Upon a Change in Control – No Termination.*** In the event of a change in control without termination, Mr. Black's employment agreement does not result in a lump sum payment as long as certain criteria is met including no change in title, responsibilities, authority, compensation, or relocation of his place of employment exceeding 50 miles from the current location.

Under Mr. Jones' change in control agreement no payment is made without termination of his employment as long as there is no change to his title, responsibilities, compensation, duties, location of employment, or his benefits are reduced.

Under Mr. Richards' change in control agreement no payment is made without termination of his employment as long as there is no change to his title, responsibilities, compensation, duties, location of employment, or his benefits are reduced.

In addition, all outstanding restricted stock awards will vest upon a change in control without termination. SERP participants who have not separated from service and have not attained their normal retirement age (age 62) prior to a change in control will receive their normal retirement benefit (determined without regard to their age or years of service at the time of the change in control without termination) paid in an actuarial equivalent lump sum within ten days of the change of control. Deferred Compensation Plan participants become 100% vested and will receive their account balance in a lump sum within 30 days following a change in control.

**Payments Upon Retirement.** In addition to the tax-qualified retirement benefits and non-qualified retirement benefits set forth in "Pension Benefits" above, participants in the Annual Incentive Plan who retire from the Bank will receive a prorated payout based on the period of the participant's active employment only. Deferred Compensation Plan participants receive their vested account balance following a separation from service. In addition, all unvested restricted stock awards will vest upon the retirement of an award recipient. The term "retirement" is defined in the 2016 Equity Incentive Plan to mean the termination of the award recipient's employment following the first day of the month coincident with or next following attainment of age 65, or attainment of age 55 and the completion of fifteen years of service, or attainment of age 62 and the completion of ten years of service.

**Potential Post-Termination Benefits Table.** The amount of compensation payable to each named executive officer upon the occurrence of certain events is noted in the table below. The amounts shown assume that such termination was effective as of December 31, 2023, and thus include amounts earned through such time and are estimates of the amounts that would be paid to the executives upon their termination. The amounts shown relating to unvested stock awards are based on \$64.72 per share, which was the fair market value of Company common stock on December 31, 2023. The actual amounts to be paid can only be determined at the time of such executive's separation from the Company or Bank. The table does not include the executives' account balances in the Bank's tax-qualified retirement plan to which each executive has a non-forfeitable interest.

|  | <i>Randall E. Black</i> | <i>Mickey L. Jones</i> | <i>David Z. Richards, Jr.</i> |
|--|-------------------------|------------------------|-------------------------------|
| <b><u>Death:</u></b>   |                         |                        |                               |
| Employment Agreement   | -                       | -                      | -                             |
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP <sup>(1)</sup>  | \$1,995,717             | \$846,866              | -                             |
| Executive Deferred Compensation Plan                                   | \$492,126               | \$169,196              | \$128,556                     |
| Equity Awards  | -                       | -                      | \$69,768                      |
| <b><u>Disability:</u></b>  |                         |                        |                               |
| Employment Agreement   | -                       | -                      | -                             |
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP <sup>(2)</sup>  | \$1,684,719             | \$846,866              | -                             |
| Executive Deferred Compensation Plan                                   | \$492,126               | \$169,196              | \$128,556                     |
| Equity Awards  | -                       | -                      | \$69,768                      |
| <b><u>Retirement or Voluntary Termination Without Good Reason:</u></b> |                         |                        |                               |
| Employment Agreement   | -                       | -                      | -                             |

|  | <u>Randall E. Black</u> | <u>Mickey L. Jones</u> | <u>David Z. Richards, Jr.</u> |
|--|-------------------------|------------------------|-------------------------------|
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP <sup>(3)</sup>  | \$1,684,719             | \$846,866              | -                             |
| Executive Deferred Compensation Plan <sup>(3)</sup>  | \$492,126               | \$169,196              | -                             |
| Equity Awards  | -                       | -                      | -                             |
| <b><u>Termination By Company For Cause:</u></b>  |                         |                        |                               |
| Employment Agreement   | -                       | -                      | -                             |
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP   | -                       | -                      | -                             |
| Executive Deferred Compensation Plan   | -                       | -                      | -                             |
| Equity Awards  | -                       | -                      | -                             |
| <b><u>Voluntary Termination By Executive For Good Reason (not in Connection with a Change in Control):</u></b> |                         |                        |                               |
| Employment Agreement <sup>(4)</sup>  | \$1,168,306             | -                      | -                             |
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP <sup>(3)</sup>  | \$1,684,719             | \$846,866              | -                             |
| Executive Deferred Compensation Plan <sup>(3)</sup>  | \$492,126               | \$169,196              | -                             |
| Equity Awards  | -                       | -                      | -                             |
| <b><u>Termination By Company Without Cause (not in Connection with a Change in Control):</u></b>               |                         |                        |                               |
| Employment Agreement <sup>(4)</sup>  | \$1,168,306             | -                      | -                             |
| Change in Control Agreement  | -                       | -                      | -                             |
| SERP <sup>(3)</sup>  | \$1,684,719             | \$846,866              | -                             |
| Executive Deferred Compensation Plan <sup>(3)</sup>  | \$492,126               | \$169,196              | -                             |
| Equity Awards  | -                       | -                      | \$69,768                      |
| <b><u>Termination in Connection with a Change-in-Control<sup>(5)</sup>:</u></b>                                |                         |                        |                               |
| Employment Agreement <sup>(4)</sup>  | \$1,746,709             | -                      | -                             |
| Change in Control Agreement <sup>(4)</sup>   | -                       | \$373,421              | \$323,712                     |
| SERP <sup>(1)</sup>  | \$1,995,717             | \$846,866              | -                             |
| Executive Deferred Compensation Plan <sup>(3)</sup>  | \$492,126               | \$169,196              | \$128,556                     |
| Long-Term Incentive Award  | -                       | -                      | -                             |
| Equity Awards  | -                       | -                      | \$69,768                      |
| <b><u>Change-in-Control No Termination:</u></b>  |                         |                        |                               |
| Employment Agreement <sup>(4)</sup>  | -                       | -                      | -                             |
| Change in Control Agreement <sup>(4)</sup>   | -                       | -                      | -                             |
| SERP <sup>(1)</sup>  | \$1,995,717             | \$846,866              | -                             |
| Executive Deferred Compensation Plan <sup>(3)</sup>  | \$492,126               | \$169,196              | \$128,556                     |
| Equity Awards  | -                       | -                      | \$69,768                      |

(1) Represents the executive's normal retirement benefit under the arrangement, regardless of his age at the time of separation from service or death.

- (2) Represents the value of the executive's early retirement benefit which fully vests upon his termination due to disability.
- (3) Mr. Black and Mr. Jones are fully vested under the Deferred Compensation Plan because of their age and years of service with the Bank. Mr. Richards vesting would accelerate due to his change-in-control.
- (4) Amount includes base compensation and the value of continued health, life and disability, or continued health and long term disability, as applicable, coverage for the period of time specified in the agreement.
- (5) The amount shown does not reflect adjustments that could be made to the executive's total change in control severance payment to ensure the executive's severance payment would not be deemed an "excess parachute payment" under Section 280G of the Internal Revenue Code.

## **OTHER INFORMATION RELATING TO DIRECTORS AND EXECUTIVE OFFICERS**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than 10% of the Company's common stock, to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% shareholders are required by regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on the Company's review of the copies of the reports it has received and written representations provided to it from the individuals required to file the reports, the Company believes that each of its executive officers and directors has complied with applicable reporting requirements for transactions in the Company's common stock during the year ended December 31, 2023, except for former director and executive officer Robert J. Marino, who resigned September 5, 2023, who had one late filing reported on October 6, 2023 with respect to the sale of nine shares, at \$51.50 per share, and 1,000 shares, at \$51.00 per share, on September 18, 2023, and 535 shares, at \$49.00 per share, on September 29, 2023.

### **Policies and Procedures for Approval of Related Persons Transactions**

The Company maintains a Policy and Procedures Governing Related Persons Transactions, which is a written policy and set of procedures for the review and approval or ratification of transactions involving related persons. Under the policy, related persons consist of directors, director nominees, executive officers, persons or entities known to us to be the beneficial owner of more than five percent of any outstanding class of voting securities of the Company, or immediate family members or certain affiliated entities of any of the foregoing persons.

Transactions covered by the policy consist of any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which:

- the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year;
- the Company is, will or may be expected to be a participant; and
- any related person has or will have a direct or indirect material interest.

The policy excludes certain transactions, including:

- any compensation paid to an executive officer of the Company if the Compensation/Human Resource Committee of the Board of Directors approved (or recommended that the Board approve) such compensation;
- any compensation paid to a director of the Company if the Board or an authorized committee of the Board approved such compensation; and
- any transaction with a related person involving consumer and investor financial products and services provided in the ordinary course of the Company's business and on substantially the same terms as

those prevailing at the time for comparable services provided to unrelated third parties or to the Company's employees on a broad basis (and, in the case of loans, in compliance with the Sarbanes-Oxley Act of 2002).

Related person transactions will be approved or ratified by the Audit and Examination Committee. In determining whether to approve or ratify a related person transaction, the Audit and Examination Committee will consider all relevant factors, including:

- whether the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party;
- the size of the transaction and the amount of consideration payable to the related person;
- the nature of the interest of the related person;
- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods and services to the Company that are available from unaffiliated third parties.

A member of the Audit and Examination Committee who has an interest in the transaction will abstain from voting on the approval of the transaction, but, if so requested by the Chair of the Committee, may participate in some or all of the discussion relating to the transaction.

### **Transactions with Related Persons**

*Loans and Extensions of Credit.* The Bank makes loans to persons affiliated with the Company and the Bank in the normal course of its business. During 2023, all Bank loans to related persons (as defined under Securities and Exchange Commission rules) were made in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with other persons not related to the Bank and did not involve more than the normal risk of collectability or present other unfavorable features.

The Company's policies require that any loan to a director that would cause his/her aggregate loan relationship to exceed \$300,000 be approved in advance by a majority of the disinterested members of the Board of Directors. Any loan to an executive officer in the aggregate greater than \$100,000 must be approved in advance by a majority vote of the Board of Directors.

## **SUBMISSION OF BUSINESS PROPOSALS AND SHAREHOLDER NOMINATIONS**

Any shareholder proposal pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act, to be considered for inclusion in our proxy materials for the next Annual Meeting must be received at our principal executive offices no later than November 7, 2024. If next year's Annual Meeting is held on a date more than 30 calendar days from April 16, 2025, a shareholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation for such Annual Meeting. Any shareholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

The Company's Bylaws provide that for a shareholder to make nominations for the election of directors or proposals for business to be brought before a meeting of shareholders (other than a shareholder proposal included in our proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act), a shareholder must deliver written notice of such nominations and/or proposals to the Corporate Secretary not less than 90 days and not more than 120 days before the date of the meeting; provided that if less than 100 days' notice or prior public disclosure of the meeting is given or made to shareholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the meeting was mailed to shareholders or such public disclosure was made.

In addition to satisfying the foregoing requirements under our bylaws, to comply with the universal proxy rules under the Exchange Act, shareholders who intend to solicit proxies in support of director nominees other than the Corporation's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than February 15, 2025.

## SHAREHOLDER COMMUNICATIONS

The Company encourages shareholder communications to the Board of Directors and/or individual directors. Communications regarding financial or accounting policies may be made to the Chairman of the Audit and Examination Committee at First Citizens Community Bank, 15 South Main Street, Mansfield, Pennsylvania 16933. Other communications to the Board of Directors may be made to the Chairman of the Governance and Nomination Committee, Rinaldo A. DePaola, at First Citizens Community Bank, 15 South Main Street, Mansfield, Pennsylvania 16933. Communications to individual directors may be made to such director at the principal executive office at First Citizens Community Bank, 15 South Main Street, Mansfield, Pennsylvania 16933.

## MISCELLANEOUS

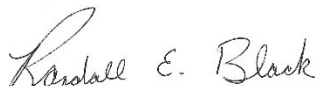
The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company common stock. In addition to soliciting proxies by mail, directors, officers and regular employees of the Company may solicit proxies personally, by email or by telephone without receiving additional compensation.

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, WITHOUT EXHIBITS, FOR THE YEAR ENDED DECEMBER 31, 2023, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WILL BE FURNISHED WITHOUT CHARGE TO PERSONS WHO WERE SHAREHOLDERS AS OF THE CLOSE OF BUSINESS ON FEBRUARY 26, 2024 UPON WRITTEN REQUEST TO MICKEY L. JONES, TREASURER, CITIZENS FINANCIAL SERVICES, INC., 15 SOUTH MAIN STREET, MANSFIELD, PENNSYLVANIA 16933-1590.

If you and others who share your address own shares in street name, your broker or other holder of record may be sending only one Annual Report on Form 10-K and Proxy Statement to your address. This practice, known as "householding," is designed to reduce our printing and postage costs. However, if a shareholder residing at such an address wishes to receive a separate Annual Report on Form 10-K or Proxy Statement in the future, he or she should contact the broker or other holder of record. If you own your shares in street name and are receiving multiple copies of our Annual Report on Form 10-K and Proxy Statement, you can request householding by contacting your broker or other holder of record.

Our proxy materials are available over the Internet. Go to the Website [www.proxyvote.com](http://www.proxyvote.com), enter your 16-digit number, which is printed in the box marked by the arrow, look for *Links to 2024 Shareholder Materials*, and then click the *Learn Before You Vote* link to view our proxy materials. Alternatively, you may visit [www.firstcitizensbank.com](http://www.firstcitizensbank.com) and click on Investor Relations.

BY ORDER OF THE BOARD OF DIRECTORS



Randall E. Black  
Chief Executive Officer and President

Mansfield, Pennsylvania  
March 7, 2024

## APPENDIX A

|   | For the Year Ended |            |
|---|--------------------|------------|
|   | December 31,       |            |
|   | <b>2023</b>        | 2022       |
| Return on Average Assets and Equity Excluding BOLI death benefits, merger and acquisition costs and provision for credit losses - acquisition day 1 non-PCD               |                    |            |
| Net Income - GAAP   | <b>\$ 17,811</b>   | \$ 29,060  |
| BOLI death benefits   | <b>(195)</b>       | -          |
| After tax provision for credit losses - acquisition day 1 non-PCD   | <b>3,627</b>       | -          |
| After tax merger and acquisition costs  | <b>7,513</b>       | 292        |
| Net Income excluding merger and acquisition costs - Non-GAAP  | <b>\$ 28,756</b>   | \$ 29,352  |
| Average Assets  | <b>2,699,039</b>   | 2,255,966  |
| <br>  |                    |            |
| Return on Average assets, Excluding BOLI death benefits, merger and acquisition costs and provision for credit losses - acquisition day 1 non-PCD - Non-GAAP              | <b>0.66%</b>       | 1.29%      |
| <br>  |                    |            |
| Return on Average assets, Excluding BOLI death benefits, merger and acquisition costs and provision for credit losses - acquisition day 1 non-PCD - Non-GAAP              | <b>1.07%</b>       | 1.30%      |
| <br>  |                    |            |
| Average Stockholders Equity - GAAP  | <b>\$ 273,322</b>  | \$ 223,955 |
| <br>  |                    |            |
| Return on Average stockholders equity   | <b>6.52%</b>       | 12.98%     |
| <br>  |                    |            |
| Return on Average stockholders equity, Excluding BOLI death benefits, merger and acquisition costs and provision for credit losses - acquisition day 1 non-PCD - Non-GAAP | <b>10.52%</b>      | 13.11%     |