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CITIZENS FINANCIAL CORP /KY/

Form 10-Q

May 20, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-20148

CITIZENS FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Kentucky
(State of Incorporation)

61-1187135
(I.R.S. Employer Identification No.)

12910 Shelbyville Road, Louisville, Kentucky 40243
(Address of principal executive offices)

(502) 244-2420
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as determined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Class A Stock - 1,685,228 as of May 19, 2003.

The date of this Report is May 20, 2003.

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Part I - Financial Information; Item 1 - Financial Statements

Citizens Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

Three Months Ended March 31	2003
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Revenues:	
Premiums and other considerations	\$ 9,238,935
Premiums ceded	(261,295)
<hr/>	
Net premiums earned	8,977,640
Net investment income	1,373,989
Net realized investment losses	(276,163)
Other income	56,353
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Total Revenues	10,131,819
<hr/>	
Policy Benefits and Expenses:	
Policyholder benefits	5,257,211
Policyholder benefits ceded	(234,011)
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Net benefits	5,023,200
Increase in net benefit reserves	1,682,187
Interest credited on policyholder deposits	164,885
Commissions	1,693,668
General expenses	1,812,072
Interest expense	92,208
Policy acquisition costs deferred	(579,542)
Amortization of deferred policy acquisition costs and value of insurance acquired	649,459
<hr/>	
Total Policy Benefits and Expenses	10,538,137
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Loss before income tax	(406,318)
Income Tax Benefit	(73,000)
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Net Loss	\$ (333,318)
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Net Loss per Common Share	\$ (0.20)
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Part I; Item 1 (continued)

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Citizens Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Financial Condition

	March 31, 2003
ASSETS	(Unaudited)
Investments:	
Securities available for sale, at fair value:	
Fixed maturities (amortized cost of \$101,465,075 and \$101,161,174 in 2003 and 2002 respectively)	\$ 105,149,894
Equity securities (cost of \$8,622,971 and \$7,108,735 in 2003 and 2002, respectively)	9,040,987
Investment real estate	3,237,579
Policy loans	4,254,773
Short-term investments	632,381
Total Investments	122,315,614
Cash and cash equivalents	5,427,544
Accrued investment income	1,386,820
Reinsurance recoverable	2,593,079
Premiums receivable	297,438
Property and equipment	2,733,661
Deferred policy acquisition costs	9,946,410
Value of insurance acquired	3,496,261
Goodwill	755,782
Federal income tax receivable	285,158
Other assets	127,634
Total Assets	\$ 149,365,401

Part I; Item 1 (continued)

Citizens Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Financial Condition

	March 31, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY	(Unaudited)
Liabilities:	
Policy Liabilities:	
Future policy benefits	\$ 104,214,257

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Policyholder deposits	15,643,185
Policy and contract claims	1,535,093
Unearned premiums	244,661
Other	275,714

Total Policy Liabilities	121,912,910
Note payable - bank	5,120,835
Note payable - related party	2,000,000
Accrued expenses and other liabilities	2,041,779
Deferred federal income tax	455,088

Total Liabilities	131,530,612
Commitments and Contingencies	
Shareholders' Equity:	
Common stock, 6,000,000 shares authorized; 1,685,228 and 1,686,828 shares issued and outstanding in 2003 and 2002, respectively	1,685,228
Additional paid-in capital	7,170,321
Accumulated other comprehensive income	2,641,993
Retained earnings	6,337,247

Total Shareholders' Equity	17,834,789

Total Liabilities and Shareholders' Equity	\$ 149,365,401

Part I; Item 1 (continued)

Citizens Financial Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31 2003

Cash Flows from Operations:

Net loss	\$ (333,318)
Adjustments to reconcile net loss to cash from operations:	
Increase in benefit reserves	1,567,918
Increase (decrease) in claim liabilities	(262,102)
(Increase) decrease in reinsurance recoverable	293,177
Interest credited on policyholder deposits	164,885
Provision for amortization and depreciation, net of deferrals	141,604
Amortization of premium and accretion of discount on securities purchased, net	9,227
Net realized investment losses	276,163
(Increase) decrease in accrued investment income	(56,784)
Change in other assets and liabilities	(9,385)
Decrease in deferred federal income tax liability	(98,000)
(Increase) decrease in federal income taxes receivable	(35,000)

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Net Cash provided by Operations	1,658,385
Cash Flows from Investment Activities:	
Cost of securities acquired	(17,128,419)
Investments sold or matured	15,170,175
Investment management fees	(2,298)
Additions to real estate	(17,669)
Additions to property and equipment, net	(5,071)
Other investing activities, net	(15,645)
Net Cash used in Investment Activities	(1,998,927)
Cash Flows from Financing Activities:	
Policyholder deposits	151,298
Policyholder withdrawals	(416,291)
Payments on notes payable - bank	(658,333)
Repurchase of common stock	(7,759)
Net Cash used in Financing Activities	(931,085)
Net Decrease in Cash and Cash Equivalents	(1,271,627)
Cash and Cash Equivalents at Beginning of Period	6,699,171
Cash and Cash Equivalents at End of Period	\$ 5,427,544

Part I; Item 1 (continued)

Citizens Financial Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q in conformity with accounting principles generally accepted in the United States. The accompanying unaudited condensed financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods. All such adjustments are of a normal recurring nature. For further information, refer to the December 31, 2002 consolidated financial statements and footnotes included in the Company's annual report on Form 10-K.

Note 2 - COMPREHENSIVE INCOME

The components of comprehensive income, net of related tax, for the three months ended March 31, 2003 and 2002 are as follows:

COMPREHENSIVE INCOME:	Three Months Ended March 31,	
	2003	2002
Net Loss	\$ (333,318)	\$ (396,943)
Net unrealized gain (loss) on securities	418,234	(737,785)

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Comprehensive Income (Loss)	\$	84,916	\$ (1,134,728)
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Note 3 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's derivatives outstanding at March 31, 2002 include approximately \$41,000 of embedded options on convertible bonds and \$123,000 of other open option positions. Hedge accounting is not used for these securities and changes in market value are reported currently as realized gains or losses.

Note 4 - NET REALIZED INVESTMENT GAINS (LOSSES), NET OF EXPENSES

The Company recorded pretax reductions to the carrying value of available for sale securities totaling \$68,329 and \$513,007 for the three months ended March 31, 2003 and 2002, respectively, relating to declines in value which were considered by management to be other than temporary. These amounts are included along with other net realized losses. The Company also nets certain direct, incremental investment management fees against net realized investment gains and losses presented in the Condensed Consolidated Statements of Operations. Such costs are based directly on or, are primarily associated with capital gains. Costs netted against realized investment gains and losses total \$21,030 and \$2,875 for the three months ended March 31, 2003 and 2002, respectively.

Note 5 - INCOME TAXES

Current taxes are provided based on estimates of the projected effective annual tax rate. Deferred taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Part I; Item 1 (continued)

Note 6 - SEGMENT INFORMATION

The Company's operations are managed along five principal insurance product lines: Home Service Life, Broker Life, Preneed Life, Dental, and Other Health. Products in all five lines are sold through independent agency operations. Home Service Life consists primarily of traditional life insurance coverage sold in amounts of \$10,000 and under to middle and lower income individuals. This distribution channel is characterized by a significant amount of agent contact with customers throughout the year. Broker Life product sales consist primarily of simplified issue and graded-benefit policies in amounts of \$10,000 and under. Other products in this segment which are not aggressively marketed include: group life, universal life, annuities and participating life coverages. Preneed Life products are sold to individuals in connection with prearrangement of their funeral and include single premium and multi-pay policies with coverages generally in amounts of \$10,000 and less. These policies are generally sold to older individuals at increased premium rates. Dental products are term coverages generally sold to small and intermediate size employer groups. Other Health products include various accident and health coverages sold to individuals and employer groups. Segment information as of March 31, 2003 and 2002, and for the periods then ended is as follows:

Three Months Ended March 31,

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REVENUE:	2003	2002
Home Service Life	\$ 2,287,941	\$ 2,316,284
Broker Life	1,464,206	1,553,223
Preneed Life	4,141,607	3,527,266
Dental	2,147,260	2,012,898
Other Health	366,968	367,217
Segment Totals	10,407,982	9,776,888
Realized investment losses	(276,163)	(328,401)
Total Revenue	\$10,131,819	\$ 9,448,487

Below are the net investment income amounts which are included in the revenue totals above.

INVESTMENT INCOME:	Three Months Ended March 31,	
	2003	2002
Home Service Life	\$ 396,342	\$ 476,831
Broker Life	541,107	587,537
Preneed Life	409,834	375,560
Dental	6,637	7,022
Other Health	20,069	20,873
Segment Totals	\$ 1,373,989	\$ 1,467,823

Part I; Item 1 (continued)

The Company evaluates performance based on several factors, of which the primary financial measure is segment profit. Segment profit represents pretax earnings, except net realized investment gains and interest expense are excluded. A significant portion of the Company's realized investment gains are generated from investments in equity securities. The equities portfolio averaged (on a cost basis) approximately \$7,866,000 and \$7,018,000 during the three months ended March 31, 2003 and 2002, respectively.

SEGMENT PROFIT (LOSS):	Three Months Ended March 31,	
	2003	2002
Home Service Life	\$ 121,867	\$ (3,604)
Broker Life	65,209	38,593
Preneed Life	(121,412)	(216,053)
Dental	141,912	156,757
Other Health	(245,523)	(33,007)
Segment Totals	(37,947)	(57,314)
Realized investment gains (losses)	(276,163)	(328,401)
Interest expense	92,208	81,228
Income (Loss) before Federal Income Tax	\$ (406,318)	\$ (466,943)

Depreciation and amortization amounts below consist of depreciation expense

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along with amortization of the value of insurance acquired and deferred policy acquisition costs.

DEPRECIATION AND AMORTIZATION:	Three Months Ended March 31,	
	2003	2002
Home Service Life	\$ 175,984	\$ 159,270
Broker Life	199,537	160,706
Preneed Life	318,675	180,950
Dental	14,294	14,844
Other Health	12,656	11,930
Segment Totals	\$ 721,146	\$ 527,700

Segment asset totals are determined based on policy liabilities outstanding in each segment.

ASSETS:	March 31,	December 31,
	2003	2002
Home Service Life	\$ 39,423,910	\$39,587,175
Broker Life	53,639,314	54,232,558
Preneed Life	53,609,258	51,991,206
Dental	664,056	658,963
Other Health	2,028,863	1,971,630
Segment Totals	\$149,365,401	\$148,441,532

Part I; Item 1 (continued)

Note 7 - LITIGATION

United Liberty, which the Company acquired in 1998, is defending an action in an Ohio state court brought by two policyholders. The Complaint refers to a particular class of life insurance policies that United Liberty issued over a period of years ending around 1971. It alleges that United Liberty's dividend payments on these policies from 1993 through 1999 were less than the required amount. It does not specify the amount of the alleged underpayment but implies a maximum of about \$850,000. The plaintiffs also allege that United Liberty is liable to pay punitive damages, also in an unspecified amount, for breach of an implied covenant of good faith and fair dealing to the plaintiffs in relation to the dividends. The action has been certified as a class action on behalf of all policyholders who were Ohio residents and whose policies were still in force in 1993. United Liberty has denied the material allegations of the Complaint and is defending the action vigorously. Pre-trial discovery is continuing. United Liberty has filed a motion for summary judgment, which has been fully briefed by both parties and will be argued to the Court on May 29, 2003. At United Liberty's request, an initial mediation session has been completed and negotiations are continuing. As a pre-requisite for the mediation, United Liberty offered to settle the matter for payments over time, which would include attorneys' fees, and which would be contingent upon an exchange or reformation of the insurance policies currently owned by the members of the class. At this stage of the litigation, the Company is unable to determine whether an unfavorable outcome of the action is likely to occur or, alternatively, whether

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the chance of such an outcome is remote. Therefore, at this time, management has no basis for estimating potential losses, if any. In addition, the Company is party to other lawsuits in the normal course of business. Management believes that recorded claims liabilities are adequate to ensure that these other suits will be resolved without material financial impact to the Company.

Part I; Item 2 - Management's Discussion and Analysis

FINANCIAL POSITION. Shareholders' equity totaled approximately \$17,835,000 and \$17,758,000 at March 31, 2003 and December 31, 2002, respectively. These balances reflect an approximate one-half percent increase for the three months ended March 31, 2003. As described above, the comprehensive income (loss) totaled approximately \$85,000 and \$(1,135,000) for the three months ended March 31, 2003 and 2002, respectively. A significant portion of the prior year comprehensive loss is attributable to changes in the value of the Company's fixed maturity and equity portfolios. Equity securities comprised approximately 6.1% and 5.2% of the Company's total assets as of March 31, 2003 and December 31, 2002, respectively. Accordingly, as also described below, the Company's financial position can be significantly affected by movements in the equities markets. Equity portfolio positions increased \$1,514,000 on a cost basis and \$1,279,000 on a market value basis, during the first three months of 2003. Fixed maturity portfolio positions increased \$304,000 on an amortized cost basis and increased \$1,196,000 on a market value basis during the same period. This difference resulted primarily from increasing bond prices during the quarter. Cash and cash equivalent positions also decreased approximately \$1,272,000 during the quarter ended March 31, 2003.

Equity markets continue to be highly volatile and were unfavorable in the first quarter of 2003, although improvements have been experienced in the first half of the second quarter. In addition, interest yields on fixed maturity investments are continuing to decline and economic pressures continue to adversely impact certain fixed maturity issuers. The significant decline in short-term rates has and, continues to adversely impact the Company's investment portfolio yield and operating earnings. The 2003 environment described continues to generate a relatively high level of qualitative investment risk. However, measures of quantitative risk per unit of investment are not believed to have changed significantly from those previously disclosed in the Company's 2002 Form 10-K

OPERATIONS. Net premiums and other considerations increased approximately \$720,000, or 9% during the first quarter of 2003 compared to the first quarter of 2002. Preneed Life, Dental and Home Service Life premium increases were approximately \$577,000, \$135,000, and \$53,000 respectively, while Broker Life experienced a modest decrease. The Preneed Life segment growth is attributable primarily to continued expansion into independently owned funeral homes and increased production generated by third-party marketing organizations. The Dental premium increase is attributable primarily to an additional broker relationship and normal inflationary premium increases. The Other Health segment represents approximately only 4% of total premium.

Pretax (loss) improved approximately \$61,000 to \$(406,000) for the three months ended March 31, 2003, primarily due to favorable Home Service Life and Broker Life mortality and certain product pricing increases, partially offset by an increase in Other Health claims and lower investment portfolio yields. Additionally, a significant portion of the \$312,000 increase in general expenses for the quarter is attributable to costs associated with outside consultants who were employed to review profitability of the Company's life products in the current interest rate environment and perform other actuarial calculations and analysis. Pretax Segment (loss) (excluding realized investment gains and

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interest expense) for the first three months of 2003 was approximately \$(38,000) compared to \$(57,000) for the first three months of 2002. This improvement is also primarily attributable to the factors described above. Below are the approximate, annualized pretax investment income and total return yields for the three months ended March 31, 2003 and 2002.

Three Months Ended March 31	2003	2002
Investment Income	\$ 1,373,989	\$ 1,467,823
Realized and Unrealized Gains (Losses)	380,874	(1,481,686)
Total Return	\$ 1,754,863	\$ (13,863)
 Average Cash and Investments	 \$127,140,985	 \$112,716,671
Investment Income Yield - Annualized	4.32%	5.21%
Total Return - Annualized	5.52%	(0.05)%

The change in the Company's effective income tax rate is due to the lack of tax loss carryback potential for a portion of the Company's operations.

CASH FLOW AND LIQUIDITY. Cash flow from operations totaled \$1,658,000 for the quarter ended March 31, 2003 compared to \$2,570,000 for the same period in the prior year. This positive cash flow for both periods is primarily attributable to growth in Preneed Life business. The \$1,999,000 of cash used by investing activities for the quarter ended March 31, 2003 resulted primarily from investing the proceeds of Preneed Life sales. The \$931,000 of cash used in financing activities during the first quarter of 2003 is primarily attributable to bank loan principal repayments along with annuity and Universal Life account withdrawals. The quarterly bank loan payment due on April 1, 2003 was paid by March 31, 2003, accordingly, the outstanding bank loan balance decreased by two quarterly installments. Due to continued investment losses and earnings pressure from lower yields on investments and cash equivalents, the Company is completing a strategic review of its products and operations. A key element of this initiative is improving profitability of the Preneed, Home Service, and Broker Life segments by increasing premiums, strengthening underwriting practices, modifying commissions, and where possible, lowering interest crediting or policy growth rates. Regarding the currently scheduled debt repayments, the Company believes its available funds will be adequate to service 2003 debt obligations and, with other available assets, will probably be adequate to service debt obligations through 2004. In addition, the Company's Chairman has expressed potential willingness to loan the Company an additional \$3,000,000 if necessary, which could service debt obligations through the majority of 2006.

FORWARD-LOOKING INFORMATION.

All statements, trend analyses and other information contained in this report relative to markets for the Company's products and trends in the Company's operations or financial results, as well as other statements including words such as "anticipate", "believe", "plan", "estimate", "expect", "intend", and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things:

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- |X| the market value of the Company's investments, including stock market performance and prevailing interest rate levels;
- |X| customer and agent response to new products, distribution channels and marketing initiatives, including exposure to unrecoverable advanced commissions;
- |X| mortality, morbidity, lapse rates, and other factors which may affect the profitability of the Company's insurance products;
- |X| regulatory changes or actions, including those relating to regulation of insurance products and insurance companies;
- |X| ratings assigned to the Company and its subsidiaries by independent rating organizations which the Company believes are important to the sale of its products;
- |X| general economic conditions and increasing competition which may affect the Company's ability to sell its products;
- |X| the Company's ability to achieve anticipated levels of operating efficiencies and meet cash requirements based upon projected liquidity sources;
- |X| unanticipated adverse litigation outcomes; and
- |X| changes in the Federal income tax laws and regulations which may affect the relative tax advantages of some of the Company's products.

There can be no assurance that other factors not currently anticipated by management will not also materially and adversely affect the Company's results of operations.

Part I; Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Quantitative and Qualitative Risk. The primary changes in quantitative market risks during the three months ended March 31, 2003 are discussed in Part I, Item 2 above.

Part I; Item 4 - Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Within the past 90 days, the Company conducted an evaluation of its disclosure controls and procedures, with the supervision and participation of its Chief Executive Officer and Chief Financial Officer. The Company does not expect that its disclosure controls and procedures will prevent all error and fraud. Such a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must balance the constraint of prudent resource expenditure with a judgmental evaluation of risks and benefits. Based on this evaluation of disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures provide reasonable assurance that material information required to be included in the Company's periodic SEC reports is made known on a timely basis to the Company's principal executive and financial officers.

CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Company's internal controls or changes in other factors that could significantly affect these controls subsequent to their evaluation, nor has the Company implemented any corrective actions regarding significant deficiencies or material weaknesses in internal controls.

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Part II - Other Information

Item 6. Exhibits and Reports on Form 8-K.

- a). Exhibit 11: Statement re: computation of per share earnings.
Exhibit 99.1 Certification of Chief Executive Officer
Exhibit 99.2 Certification of Chief Financial Officer

- b). Reports on Form 8-K: On January 6, 2003 the Company filed a Form 8-K which noted that the Company's Board of Directors has authorized \$250,000 of additional common stock repurchase capacity and the Company completed the borrowing of \$2,000,000 from the Company's Chairman at the greater of 6% annual interest or prime plus one percent.

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITIZENS FINANCIAL CORPORATION

BY: /s/ Darrell R. Wells

Darrell R. Wells
President and Chief Executive Officer
BY: /s/ Brent L. Nemec

Brent L. Nemec
Treasurer and Principal Accounting Officer

Date: May 20, 2003

Part II - Other Information (continued)

Certification of Principal Executive Officer
Certification for Quarterly Report on Form 10Q

I, Darrell R. Wells, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Citizens Financial Corporation;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such

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statements were made, not misleading with respect to the period covered by this quarterly report;

- 3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Signature and Title: /s/ Darrell R. Wells

Date: 05/20/2003

Part II - Other Information (continued)

Certification of Principal Financial Officer

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Certification for Quarterly Report on Form 10Q

I, Brent L. Nemec, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Citizens Financial Corporation;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Signature and Title: /s/ Brent L. Nemec

Date: 05/20/2003

EXHIBIT INDEX

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Exhibit No.	Description
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11	Statement re: computation of per share earnings
99.1	Certification of Chief Executive Officer
99.2	Certification of Chief Financial Officer