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CITIZENS FINANCIAL SERVICES, INC. REPORTS THIRD QUARTER 2014 EARNINGS

MANSFIELD, PENNSYLVANIA— October 23, 2014 – Citizens Financial Services, Inc. (OTC BB: CZFS), parent company of First Citizens Community Bank, has released its unaudited financial performance for the three and nine months ended September 30, 2014.

For the three months ended September 30, 2014, net income totaled \$3,368,000 which compares to net income of \$3,512,000 for the third quarter of 2013. This represents a decrease of \$144,000, or 4.1%. Impacting the comparison is the recognition in the third quarter last year of \$305,000 of interest income from a loan that paid off that was previously on non-accrual status. Earnings per share of \$1.11 for the third quarter compares to \$1.15 last year. Annualized return on equity was 13.59% and 15.42% for the three months ended September 30, 2014 and 2013, while return on assets was 1.48% and 1.58%, respectively.

For the nine months ended September 30, 2014, net income totaled \$9,909,000 which compares to \$10,079,000 for the same period last year. This represents a decrease of \$170,000, or 1.7%. Earnings per share of \$3.26 decreased less than 1% from \$3.29 per share last year. Annualized return on equity for the comparable periods was 13.64% and 15.13%, while return on assets was 1.46% and 1.52%, respectively.

CEO and President Randall E. Black stated, “We continue to be challenged by the lack of loan demand, margin compression, and ongoing and increasing regulatory burdens. While managing all of these challenges, our financial performance remains strong and continues to compare very favorably to peer. We are committed to remaining a strong, well-capitalized, local community bank dedicated to serving our communities and customers, as well as providing exceptional shareholder return and value. During the third quarter, significant progress has been made on the construction of our new branch location in Mill Hall, Pennsylvania. We anticipate a successful expansion of our branch network due to our strong community banking focus and ongoing commitment to customer service”.

Net interest income, before the provision for loan losses, increased 1.5% from \$22,409,000 for the nine months ended September 30, 2013, to \$22,736,000 for 2014. While interest income decreased \$776,000, interest expense decreased \$1,103,000 from last year’s first nine months resulting in an overall increase in net interest income of \$327,000 over the comparable periods. “The margin compressed slightly from 3.89% last year to 3.85% this year. Yields on interest earning assets, on a tax-effected basis, declined from 4.67% last year to 4.43% this year. As interest earning assets roll off or re-price, they are being replaced with lower yielding assets due to the continued low interest rate environment. We have been able to mitigate this impact by also decreasing the overall cost of interest bearing liabilities, both through a decrease in interest bearing deposits and by managing the rate and term of borrowed funds. The overall yield on interest bearing liabilities has declined from .93% last year to .71% this year” added Mr. Black.

At September 30, 2014, total assets were \$913 million, up from total assets of \$899.4 million as of September 30, 2013 and down slightly from total assets of \$914.9 million at December 31, 2013. The investment portfolio has decreased \$9 million from year-end 2013. Net loans of \$536.9 million as of the end of September have increased \$3.4 million, or .6%, compared to the end of last year. Since September 30, 2013, net loans have increased \$21.6 million. Loan quality remains strong and continues to improve from the end of last year. At September 30, 2014, non-performing loans as a percent of total loans was 1.38%. This compares to 1.63% as of December 31, 2013 and 1.78% as of September 30, 2013. The annualized net charge-offs to average loans remains low at .19%.

Stockholders' equity totaled \$99.2 million at September 30, 2014, which compares to \$92.1 million at December 31, 2013 and \$90.4 million September 30, 2013. Net income of \$9.9 million was offset by cash dividends of \$5.4 million. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized gain on available for sale investment securities increased \$2.7 million from the end of 2013. The regular, quarterly cash dividend of \$.40 per share was paid on September 26, 2014 to shareholders of record on September 19, 2014 and represents an increase of 40.4% over the quarterly cash dividend paid a year ago. Additionally, the Board of Directors also declared and paid a one-time, special cash dividend of \$.60 per share. The special one-time cash dividend was also paid on September 26th to those shareholders of record on September 19, 2014. The sustained outstanding financial performance and strong capital position has permitted us to increase our regular dividend as well as pay this one-time special dividend. The attractive dividend reflects the Board of Directors' desire to provide total shareholder return to our shareholder base. Both Citizens Financial Services, Inc. and First Citizens Community Bank remain well-capitalized under regulatory capital guidelines.

Citizens Financial Services, Inc. has over 1,500 shareholders, the majority of whom reside in Potter, Tioga, and Bradford Counties, Pennsylvania and Allegany County, New York, where their 18 offices are located.

Note: This press release may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Actual results and trends could differ materially from those set forth in such statements due to various factors. These factors include operating, legal and regulatory risks; changing economic and competitive conditions and other risks and uncertainties.