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CFS Reports Record 2009 Earnings

MANSFIELD, PENNSYLVANIA-- January 27, 2010 – Citizens Financial Services, Incorporated (OTC BB: CZFS), parent company of First Citizens National Bank, has released its unaudited financial performance for 2009.

Net income for the twelve months ended December 31, 2009 totaled \$9,864,000 which compares to \$6,905,000 for 2008. This represents an increase of \$2,959,000, or 42.9%. The comparison to 2008's results is impacted by the \$4.1 million other than temporary impairment charge recorded in the third quarter of 2008 related to investments in Freddie Mac preferred stock and a Lehman Brothers corporate bond.

Earnings per share of \$3.43 increased 42.9% from \$2.40 per share for the same period last year. Return on equity for the comparable periods was 17.65% and 13.51%, while return on assets was 1.42% and 1.13%, respectively.

Net income for the three months ended December 31, 2009 totaled \$2,658,000 which compares to \$3,490,000 for the fourth quarter of 2008, a decrease of \$832,000. Fourth quarter 2008 results included a tax benefit related to the third quarter write-down of the investments in Freddie Mac preferred stock. The Federal Government's October 3, 2008 bailout bill permitted the write-down of the Freddie Mac preferred stock to be treated as an ordinary loss, allowing a tax benefit of approximately \$1,000,000. However, accounting rules did not allow the recognition of the tax benefit until the fourth quarter. Earnings per share for the three months ended December 31, 2009 and 2008 were \$.93 and \$1.21 per share, respectively. Return on equity for the comparable periods was 18.19% and 27.15%, while return on assets was 1.48% and 2.15%, for the respective time periods.

CEO and President Randall E. Black stated, "Our record 2009 performance was achieved not without its challenges. Non-interest expenses increased \$1.9 million, of which approximately \$1.0 million is attributable to an increase in FDIC insurance premiums. This includes a special assessment of approximately \$330,000. The increase in premiums was necessary in order to replenish the FDIC insurance fund, which has declined due to the significant increase in bank failures throughout the country. On an after tax basis, this increase has reduced earnings per share in 2009 by \$.23. Excluding the increase in FDIC insurance premiums, overall expenses would have increased \$837,000 or 5.3%."

As of December 31, 2009, total assets were \$729.5 million, which was an increase of \$60.9 million from December 31, 2008. The investment portfolio increased \$24.4 million since December 31, 2008 to a total of \$198.6 million. Net loans have increased \$23.1 million, or 5.4%, since last year. Total deposits of \$605.6 million have increased \$58.9 million from December 31, 2008. The economic downturn, high unemployment rates and the struggles of the agricultural community have had an impact on the credit quality as non-performing assets as a percent of loans was 1.55% at December 31, 2009 which compared to 0.73% at the end of 2008. As a result, the provision for loan losses for the twelve months ended

December 31, 2009 was \$925,000 compared to \$330,000 for the same period last year, an increase of \$595,000. Credit quality continues to compare favorably to our peer group.

Excluding accumulated other comprehensive income, stockholders' equity totaled \$59.5 million at December 31, 2009, representing an increase of \$6.7 million, or 12.8%, from December 31, 2008. Book value per share at December 31, 2009 was \$20.71 compared with \$18.52 last December, an increase of 11.8%. As a result of our outstanding performance in 2009, the Board of Directors declared a one-time special cash dividend of \$.05 per share on November 5, 2009 which was paid on December 10, 2009 to shareholders of

record on November 16, 2009. This one-time special cash dividend resulted in an overall increase of 4.04% in dividends declared in 2009 compared with 2008.

Additionally in January 2010, a cash dividend of \$.25 per share was declared and will be paid on January 29, 2010 to shareholders of record, as of January 15, 2010, an increase of 4.2% over the January 2009 dividend. First Citizens remains well capitalized with capital levels exceeding regulatory levels. "Our financial strength and continued profitability give us the affordability to continue to provide a very attractive dividend yield to our shareholders and demonstrates our commitment to provide total shareholder return," stated Mr. Black.

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 17 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.