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C.F.S., Inc. Reports, Record 2008 Earnings

MANSFIELD, PENNSYLVANIA-- January 28, 2009 – Citizens Financial Services, Incorporated (OTC BB: CZFS), parent company of First Citizens National Bank, has released its unaudited financial performance for the fourth quarter of 2008.

CEO and President Randall E. Black stated, "First Citizens National Bank continues to be a strong, well-capitalized local community bank. Our disciplined loan underwriting standards and commitment to our communities we serve have shielded us from the vast majority of the highly publicized issues encountered by Wall Street and large financial money center banks. The economic crisis did impact our financial performance, as we recorded charges in the third quarter against income resulting from investments in Freddie Mac preferred stock and a Lehman Brothers corporate bond. Despite these write-downs, I am pleased to report that 2008 still resulted in a record year for earnings and our core banking performance remains exceptionally strong. In fact, core earnings for 2008 totaled \$9.6 million, an increase of \$2.8 million or 41.2% over last year. Net interest income for 2008 totaled \$22,850,000 compared with \$18,737,000 last year. This is an increase of \$4,113,000, or 22.0%. Our net interest margin on a tax equivalent basis has improved from 3.82% for 2007 to 4.36% for this year."

Net income for the three months ended December 31, 2008 totaled \$3,490,000 which compares to \$1,842,000 for the fourth quarter of last year, representing an increase of \$1,648,000, or 89.5%. Fourth quarter of 2008 results include a tax benefit related to the third quarter write-down of an investment in Freddie Mac preferred stock. As a result of the Government's bailout bill that was signed into law on October 3, 2008, the provision in the bill permitted the write-down to be treated as an ordinary loss, allowing a tax benefit of approximately \$985,000. However, since the bailout bill was not signed until after September 30, accounting rules did not allow the recognition of the \$985,000 tax benefit in the third quarter. Thus, the tax benefit was recognized in the fourth quarter. Earnings per share, return on equity and return on assets for the three months ended December 31, 2008 was \$1.23, 27.15% and 2.15%, respectively. Excluding the tax benefits of the Freddie Mac preferred stock, earnings per share, return on equity and return on assets were \$.88, 19.49% and 1.54%, respectively, in the fourth quarter of 2008 compared to \$.64, 15.26% and 1.26% for the comparable period last year.

On a year to date basis, net income for 2008 totaled \$6,905,000 compared with \$6,736,000 last year, an increase of \$169,000 or 2.5%. Earnings per share of \$2.42 for 2008 increased 3.0% from \$2.35 per share last year. Return on equity for the comparable periods was 13.51% and 14.38%, while return on assets was 1.13% and 1.16%, respectively.

Total assets at December 31, 2008 totaled \$668.6 million, an increase of \$77.6 million from December 31, 2007, or 13.1%. The increase in assets principally occurred in the investment portfolio, which increased from \$120.8 million to \$174.1 million. Net loans increased \$9.3 million from last year, totaling \$428.4 million at December 31,

2008. Total deposits increased \$90.7 million, or 19.9%, from \$456.0 million at December 31, 2007 to \$546.7 million as of December 31, 2008.

Stockholders' equity totaled \$52.8 million at December 31, 2008, representing an increase of \$4.2 million, or 8.7%, from last year. First Citizens continues to be well capitalized with capital levels well exceeding regulatory levels. Book value per share at December 31, 2008 was \$18.50 compared with \$17.30 last December. In January, a cash dividend of \$.24 per share was declared and will be paid on January 30, 2009 to shareholders of record, as of January 16, 2009, an increase of 4.3% over the January 2007 dividend.

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.