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C.F.S. Reports Third Quarter 2009 Earnings

MANSFIELD, PENNSYLVANIA-- October 27, 2009 – Citizens Financial Services, Incorporated (OTC BB: CZFS), parent company of First Citizens National Bank, has released its unaudited financial performance for the 3rd quarter of 2009.

Year to date net income through September 30, 2009 was \$7,206,000 compared with \$3,415,000 last year, an increase of \$3,791,000 or 111.0%. Earnings per share of \$2.51 increased 110.9% from \$1.19 per share for the same period last year. The comparison to last year's results is impacted significantly by the \$4.1 million other than temporary impairment charge recorded in the third quarter last year related to investments in Freddie Mac preferred stock and a Lehman Brothers corporate bond. Return on equity for the comparable periods was 17.46% and 8.93%, while return on assets was 1.39% and .76%, respectively.

Net income for the three months ended September 30, 2009 totaled \$2,388,000 which compares to a net loss of \$1,052,000 for the third quarter last year, representing an increase of \$3,440,000. As mentioned above, the comparison to last year is impacted by the \$4.1 million impairment charge recorded last year. Earnings (loss) per share for the three months ended September 30, 2009 and 2008 were \$.83 and \$(.37) per share, respectively. Return on equity for the comparable periods was 16.84% and -8.01%, while return on assets was 1.35% and -.69%, for the respective time periods.

Core earnings, which excludes investment securities gains and losses on an after tax basis, has increased \$220,000 from last year, or 3.2%. CEO and President Randall E. Black stated, "Our continued outstanding financial performance in 2009 has been achieved despite an increase of approximately \$1.4 million, or 12.0%, in operating expenses. Over \$925,000 of this increase relates to higher FDIC deposit insurance premiums. 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 \$.21 per share."

As of September 30, 2009, total assets were \$707.2 million, which was an increase of \$38.6 million from December 31, 2008 and an increase of \$86.5 million, or 13.9%, from September 30, 2008. The investment portfolio has increased \$69.3 million since September 30, 2008 to a total of \$197.5 million. Net loans have increased \$19.0 million, or 4.5%, since last year. Total deposits of \$579.8 million have increased \$33.2 million from December 31, 2008, and \$64.9 million from one year ago.

As of September 30, 2009 credit quality remains strong compared to peer. However, the poor economy and higher unemployment rates have had an impact on our credit quality as non-performing assets as a percent of

loans were 1.45% which compares to 0.73% at December 31, 2008 and 0.92% as of the end of last September. The increase is attributable to the local economy, including the struggles of the agricultural community. As such, the provision for loan losses for the nine months ended September 30, 2009 was \$700,000 compared to \$225,000 for the same period last year, an increase of \$475,000.

First Citizens remains well capitalized with capital levels well exceeding regulatory levels. Excluding accumulated other comprehensive income, stockholders' equity totaled \$57.7 million at September 30, 2009, representing an increase of \$7.6 million, or 15.2%, from September 30, 2008. Book value per share at September 30, 2009 was \$20.09 compared with \$17.59 last September, an increase of 14.2%. In October, a cash dividend of \$.25 per share was declared and will be paid on October 30, 2009 to shareholders of record, as of October 16, 2009, an increase of 4.2% over the October 2008 dividend. "During these difficult economic times, it is comforting to know that our financial strength and continued profitability gives us the affordability to continue to provide a very attractive dividend yield to our shareholders," 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.