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CFS, Inc. Reports Second Quarter 2009 Earnings

MANSFIELD, PENNSYLVANIA -- July 28, 2009 -- Citizens Financial Services, Incorporated (OTC BB: CZFS), parent company of First Citizens National Bank, has released its unaudited financial performance for the 2nd quarter of 2009.

Year-to-date net income through June 30, 2009 was \$4,818,000 compared with \$4,467,000 last year, representing an increase of \$351,000 or 7.9%. Net interest income after provision for loan losses has increased 9.1% from \$11,118,000 for the first half of 2008 to \$12,129,000 this year. Earnings per share of \$1.69 increased 7.6% from \$1.57 per share for the same period last year. Return on equity for the comparable periods were 17.79% and 17.80%, while return on assets was 1.42% and 1.50%, respectively.

For the three months ended June 30, 2009, net income totaled \$2,472,000, versus \$2,446,000 for the comparable period last year, representing an increase of \$26,000, or 1.1%. Earnings per share for the three months ended June 30, 2009 and 2008 were \$0.87 and \$0.86 per share, respectively, which is an increase of 1.2%. Return on equity for the comparable periods was 17.99% and 19.24%, while return on assets was 1.43% and 1.64%, for the respective time periods. Net interest income after provision for loan losses increased 5.0% from \$5,830,000 for the second quarter of 2008 to \$6,120,000 for the second quarter of 2009.

CEO and President Randall E. Black stated, "Our outstanding financial performance in 2009 was achieved despite an increase of approximately \$1.0 million, or 12.9%, in operating expenses, most of which (over \$700,000) relates to higher FDIC deposit insurance premiums. The higher premiums (which include a special assessment) were necessary to replenish the FDIC insurance fund, which has declined due to the increase in bank failures and higher risk activities of financial institutions in general. Here at First Citizens, we will continue to look for ways to control our non-interest expenses in other areas and will always remain committed to sound and conservative banking principles."

Total assets at June 30, 2009 totaled a record \$706.7 million, which was an increase of \$38.1 million from December 31, 2008 and an increase of \$104.7 million, or 17.4%, from June 30, 2008. Since June 30, 2008, the investment portfolio has increased \$56.8 million and net loans have increased \$13.4 million. Total deposits of \$582.5 million have increased \$35.8 million from December 31, 2008, and \$97.4 million from one year ago. As of June 30, 2009 credit quality remains strong as total non-performing assets as a percent of loans are 0.87%, compared to 0.73% at December 31, 2008 and 0.78% as of the end of last June.

Stockholders' equity totaled \$56.6 million at June 30, 2009, representing an increase of \$6.0 million, or 11.86%, from June 30, 2008. Book value per share at June 30, 2009 was \$19.70 compared with \$18.38 last June, an increase of 7.2%. In July, a cash dividend of \$.245 per share was declared and will be paid on July 31, 2009 to shareholders of record, as of July 17, 2009, an increase of 4.3% over the July 2008 dividend. Additionally, a 1%

stock dividend was declared and will also be distributed on July 31, 2009. "First Citizens remains well capitalized with capital levels well exceeding regulatory levels," 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.