



**FOR IMMEDIATE RELEASE**

## **Citizens Financial Services, Inc. Reports Record Earnings For 2007**

January 24, 2008 - MANSFIELD, PENNSYLVANIA-- January 24, 2008 – 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 2007.

Net income for 2007 totaled \$6,736,000 compared with \$5,800,000 last year, representing an increase of \$936,000, or 16.1%. Net income for the three months ended December 31, 2007 was \$1,842,000 which compares to \$1,490,000 for the fourth quarter last year. This is an increase of \$352,000, or 23.6%. Earnings per share for the year ended December 31, 2007 and 2006 were \$2.37 and \$2.02 per share, respectively, representing a 17.3% increase. Return on equity for the comparable periods were 14.38% and 13.21%, respectively.

Net interest income before the provision for loan losses totaled \$19,102,000, an increase of \$1,204,000 compared with last year. CEO and President Randall E. Black stated, "During the fourth quarter, the Federal Reserve continued to decrease the federal funds rate in an attempt to balance the risks of economic growth against worries about inflation. The Federal Reserve's action resulted in a 25 basis point decrease in October and another 25 basis point decrease in December in the federal funds rate. These decreases have had a positive impact on improving our net interest margin by reducing short term deposit and borrowing costs compared to the reduction of interest rates on our interest sensitive loan portfolio," stated Mr. Black.

Compared to the year ended December 31, 2006, non-interest expenses increased a modest \$287,000, or 1.9%. "2007 has been an outstanding year for our organization. Our record financial performance reiterates our commitment to create shareholder value. Contributing greatly to our success and record financial performance was our ongoing ability in becoming a more efficient organization while simultaneously maintaining outstanding service to our customers," stated Mr. Black.

Since December of last year, total assets have increased \$18.9 million, or 3.3%. At the end of December total assets were \$591.0 million, which compares to \$572.2 million as of December 31, 2006. Since last December, net loans have increased \$8.3 million, an increase of 2.0%. Total deposits have increased \$9.5 million while borrowed funds have increased \$4.6 million.

Stockholders' equity, excluding accumulated other comprehensive income, has increased \$3.6 million, or 7.9% since last December. Book value per share at December 31, 2007 was \$17.30 compared with \$16.04 last year, an increase of 7.8%. In January, a cash dividend of \$.23 per share was declared and will be paid to shareholders on January 25, 2008 to record holders as of January 14, 2008, which represents an increase of 4.5% 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 16 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.*