



FOR IMMEDIATE RELEASE

Citizens Financial Services, Inc. Reports Second Quarter 2008 Earnings

July 21, 2008 - MANSFIELD, PENNSYLVANIA-- July 21, 2008 – Citizens Financial Services, Incorporated (OTC BB: CZFS), parent company of First Citizens National Bank, has released its unaudited financial performance for the second quarter of 2008.

Net income for the three months ended June 30, 2008 totaled \$2,446,000 which compares to \$1,760,000 for the second quarter last year, representing an increase of \$686,000, or 38.9%. Earnings per share for the three months ended June 30, 2008 and 2007 were \$.87 and \$.62 per share, respectively, representing a 40.3% increase. Return on equity for the comparable periods was 19.24% and 15.24%, while return on assets was 1.64% and 1.23%, for the respective time periods.

On a year to date basis net income through June 30, 2008 was \$4,467,000 compared with \$3,140,000 last year, representing an increase of \$1,327,000 or 42.2%. Earnings per share of \$1.58 increased 43.6% from \$1.10 per share for the same period last year. Return on equity for the comparable periods were 17.80% and 13.68%, while return on assets was 1.50% and 1.10%, respectively.

CEO and President Randall E. Black stated, "The significant improvement in our net interest margin and our continued ability to manage operational efficiencies has resulted in outstanding financial performance for the first six months of 2008. The Federal Reserve's decision to decrease the federal funds rate by 225 basis points mostly during the first quarter has resulted in an improvement of our net interest margin by reducing our short-term deposit and borrowing costs relative to the impact of the reduction of interest rates on our interest sensitive loan portfolio. Our net interest margin, tax effected, on interest earning assets has improved from 3.72% for the first six months of 2007 to 4.38% for this year."

Total assets at June 30, 2008 totaled \$602.0 million, an increase of \$20.7 million from June 30, 2007. The increase in assets principally occurred in the investment portfolio which increased from \$118.6 million to \$124.7 million, as well as, net loans, which grew \$13.2 million to \$424.1 million at June 30, 2008. Total deposits have increased 3.7% from \$467.9 million at June 30, 2007 to \$485.1 million as of June 30, 2008.

Citizens Financial Services, Inc. remains well capitalized, with an equity-to-assets ratio of 8.4%, versus 7.6% as of June 30, 2007. This improvement was largely the result of a \$6.2 million, or 14.1% increase in stockholders equity since June 30 of last year. Book value per share at June 30, 2008 was \$18.38 compared with \$16.67 last June. In July, a cash dividend of \$.235 per share was declared and will be paid on July 25, 2008 to shareholders of record, as of July 11, 2008. Also in July, a 1% stock dividend was declared and will be distributed July 25, 2008 as well.

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.