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CITIZENS FINANCIAL SERVICES, INC. REPORTS UNAUDITED FIRST QUARTER 2019 FINANCIAL RESULTS

MANSFIELD, PENNSYLVANIA— April 25, 2019 – Citizens Financial Services, Inc. (OTC Pink: CZFS), parent company of First Citizens Community Bank, released today its unaudited consolidated financial results for the three months ended March 31, 2019.

Highlights

- Net income was $4.4 million for the three months ended March 31, 2019, which is 3.7% higher than the net income for 2018's comparable period. The effective tax rate for the first three months of 2019 was 15.7% compared to 15.0% in the comparable period in 2018.

- Net interest income before the provision for loan losses was $11.9 million for the three months ended March 31, 2019, an increase of $495,000, or 4.3%, over the same period a year ago.

- Net loan growth totaled $8.8 million in the first quarter of 2019, or 3.3% annualized.

- Return on average equity for the three months (annualized) ended March 31, 2019 was 12.12% compared to 12.62% for the three months (annualized) ended March 31, 2018.

- Return on average tangible equity for the three months (annualized) ended March 31, 2019 was 14.62% compared to 15.52% for the three months (annualized) ended March 31, 2018. (1)

- Return on average assets for the three months (annualized) ended March 31, 2019 was 1.22% compared to 1.24% for the three months (annualized) ended March 31, 2018.

Three Months Ended March 31, 2019 Compared to March 31, 2018

- For the three months ended March 31, 2019, net income totaled $4,405,000 which compares to net income of $4,247,000 for the first three months of 2018, an increase of $158,000 or 3.7%. Basic earnings per share of $1.26 for first three months of 2019 compares to $1.21 for the 2018 comparable period. Annualized return on equity for the three months ended March 31, 2019 and 2018 was 12.12% and 12.62%, while annualized return on assets was 1.22% and 1.24%, respectively.

- Net interest income before the provision for loan loss for the three months ended March 31, 2019 totaled $11,915,000 compared to $11,420,000 for the three months ended March 31, 2018, resulting in an increase of $495,000, or 4.3%. Average interest earning assets increased $72.4 million for the three months ended March 31, 2019 compared to the same period last year. Average loans increased $72.9 million while average investment securities decreased $6.4 million. The tax effected net interest margin for the three months ended March 31, 2019 was 3.62% compared to 3.68% for the same period last year, which was impacted by the increase in the average cost on interest bearing liabilities of 39 bps, to 1.14%.

- The provision for loan losses for the three months ended March 31, 2019 was $400,000 compared to $500,000 for the comparable period in 2018, a decrease of $100,000. The decrease in the provision primarily reflects the lower loan growth experienced during the first three months of 2019 compared to 2018.

- Total non-interest income was $2,033,000 for the three months ended March 31, 2019, which is $127,000 more than for the comparable period last year. The primary driver was an increase in brokerage and insurance commissions of $112,000.

- Total non-interest expenses for the three months ended March 31, 2019 totaled $8,322,000 compared to $7,832,000 for the same period last year, which is an increase of $490,000, or 6.3%. Salaries and benefits increased $194,000 primarily due to an increase in benefits costs. Other expenses increased $191,000, which was primarily due to an increase in costs as a result of the decision to terminate a pension plan acquired as part the First National Bank of Fredericksburg acquisition in 2015.

- The provision for income taxes increased $74,000 when comparing the three months ended March 31, 2019 to the same period in 2018 as a result of an increase in income before income tax of $232,000.

Balance Sheet and Other Information:

- At March 31, 2019, total assets were $1.45 billion, compared to $1.43 billion at December 31, 2018 and $1.38 billion at March 31, 2018.

- Available for sale securities of $244.4 million at March 31, 2018 increased $3.4 million from December 31, 2018 and decreased $6.9 million from March 31, 2018. The yield on the investment portfolio increased from 2.48% to 2.69% on a tax equivalent basis.

- Net loans as of March 31, 2019 totaled $1.08 billion and increased $8.8 million from December 31, 2018 and $57.7 million from March 31, 2018. Net loan growth was negatively impacted by over $4.0 million of large loan pay-offs and transfers to other real estate owned as the result of a settlement with a customer in bankruptcy. The growth in 2019 was in commercial and agricultural relationships, which continues the trend from 2018.

- The allowance for loan losses totaled $13,084,000 at March 31, 2019 which is an increase of $200,000 from December 31, 2018. The increase is due to recording a provision for loan losses of $400,000 and recoveries of $14,000, offset by charge-offs of $214,000, which were primarily related to one relationship, which was settled as part of a bankruptcy proceeding. Annualized net charge-offs as a percent of total loans through March 31, 2019 was .07%. The allowance as a percent of total loans was 1.20% as of March 31, 2019 and 1.19% as of December 31, 2018.

- Deposits decreased $3.5 million from December 31, 2018, to $1.18 billion at March 31, 2019, primarily due to timing differences and a municipal customer in our State College office starting a large construction project. Borrowed funds increased $17.1 million from December 31, 2018 to $108.3 million at March 31, 2019. Non-interest-bearing deposits increase $5.0 million at March 31, 2019.

- Stockholders' equity totaled $142.8 million at March 31, 2019, compared to $139.2 million at December 31, 2018, an increase of $3.6 million. The increase was attributable to net income for the three months ended March 31, 2019 totaling $4.4 million, offset by cash dividends for the first quarter totaling $1.6 million and net treasury stock activity of $330,000. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized loss on available for sale investment securities, net of tax, improved $1.1 million from December 31, 2018.

Dividend Declared

On March 5, 2019, the Board of Directors declared a cash dividend of $0.445 per share, which was paid on March 29, 2019 to shareholders of record at the close of business on March 15, 2019. The quarterly cash dividend is an increase of 3.2% over the regular cash dividend of $0.431 per share declared one year ago, as adjusted for the 1% stock dividend declared in June 2018.

Citizens Financial Services, Inc. has nearly 1,700 shareholders, the majority of whom reside in markets where its offices are located.

Note: This press release may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are not historical facts; rather, they are statements based on the Company's current expectations regarding its business strategies and their intended results and its future performance. Forward-looking statements are preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions. Forward-looking statements are not guarantees of future performance. Numerous risks and uncertainties could cause or contribute to the Company's actual results, performance and achievements to be materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, changes in general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government; legislative and regulatory changes; and other factors disclosed periodically in the Company's filings with the Securities and Exchange Commission. Because of the risks and uncertainties inherent in forward-looking statements, readers are cautioned not to place undue reliance on them, whether included in this press release or made elsewhere periodically by the Company or on its behalf. The Company assumes no obligation to update any forward-looking statements except as may be required by applicable law or regulation.

(1) See reconciliation of non-gaap measures at the end of the press release