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CITIZENS FINANCIAL SERVICES, INC. REPORTS UNAUDITED SECOND QUARTER 2017 EARNINGS

MANSFIELD, PENNSYLVANIA— July 25, 2017 – Citizens Financial Services, Inc. (OTC BB: CZFS), parent company of First Citizens Community Bank, released today its unaudited financial results for the three and six months ended June 30, 2017.

For the six months ended June 30, 2017, net income totaled $6,771,000 which compares to net income of $6,314,000 for the first six months of 2016, an increase of $457,000 or 7.2%. Basic earnings per share of $1.95 for the first six months of 2017 compares to $1.80 for the first six months last year. Annualized return on equity for the six months ended June 30, 2017 and 2016 was 10.63% and 10.34%, while return on assets was 1.10% and 1.06%, respectively.

For the three months ended June 30, 2017, net income totaled $3,468,000 which compares to net income of $3,031,000 for the second quarter of 2016, an increase of $437,000. Basic earnings per share of $1.00 for the second quarter of 2017 compares to $.86 for the second quarter last year. Annualized return on equity for the three months ended June 30, 2017 and 2016 was 10.80% and 9.88%, while return on assets was 1.12% and 1.02%, respectively.

Net interest income before the provision for loan loss for the six months ended June 30, 2017 totaled $20,401,000 compared to $18,376,000 for the six months ended June 30, 2016, which is an increase of $2,025,000, or 11.0%. The net interest margin for the six months ended June 30, 2017 was 3.79% compared to 3.62% for the same period last year. For the first six months of 2017, the strategy has been to shift interest earning assets from the investment portfolio into the loan portfolio which has resulted in higher yields on interest earning assets, coupled with the Federal Reserve's recent action, in which they raised short term rates 50 basis points. For the six months ended June 30, 2017, the provision for loan losses totaled $1,240,000 compared to $270,000 last year. The increase in the provision for loan loss is reflective of the strong loan growth during the first half of 2017. Although the increase in the provision impacts short-term profitability, the origination of high quality loans has resulted in net interest income growth currently and for future revenue growth.

Non-interest expenses for the six months ended June 30, 2017 totaled $14,357,000 compared to $14,213,000 for the same period last year. This is an increase of only $144,000, or 1.0%, while net interest income before the provision increased 11.0% as noted above. The most significant increase was in salaries and benefits which increased $861,000 due to the increased costs associated with the additional lending teams, branch and loan production office expansion, and normal employee merit increases. The increase in salaries and benefits was offset by a decrease in other expenses of $662,000. For the three months ended June 30, 2017, non-interest expenses decreased $135,000 compared to the three months ended June 30, 2016.

At June 30, 2017, total assets were $1.265 billion which compares to $1.223 billion at December 31, 2016. Available for sale securities of $275.2 million at June 30, 2017 decreased $38.8 million from December 31, 2016 to fund growth in the loan portfolio, which is part of the balance sheet strategy to shift interest earning assets into loans. Net loans as of June 30, 2017 totaled $878.1 million and have increased $87.4 million, or 11.1%, which is 22.2% on an annualized basis, from December 31, 2016. Deposit growth has also been strong, increasing $45.7 million from December 31, 2016 to a total of $1.051 billion at June 3, 2017. Borrowed funds decreased $9.7 million from December 31, 2016 to June 30, 2017. This decrease is attributable to the increase in deposits and decrease in investment securities, which also funded the loan growth in 2017.

Stockholders' equity totaled $127.8 million at June 30, 2017, which compares to $123.3 million at December 31, 2016, an increase of $4.5 million. The increase was attributable to net income for the six months ended June 30, 2017 totaling $6.8 million and net treasury share transactions of $200,000. As a result of changes in interest rates impacting the fair value of investment securities, the unrealized gain on available for sale investment securities increased $.4 million from the end of 2016. These were offset by cash dividends of $2.9 million. On June 7, 2017, the Board of Directors declared a cash dividend and a stock dividend for its shareholders. The cash dividend of $0.425 per share, along with the 5.00% stock dividend, was paid on June 30, 2017 to shareholders of record at the close of business on June 16, 2017. The quarterly cash dividend is an increase of 2.4% over the regular cash dividend of $0.415 per share declared one year ago. Dividends are a key part of the Board of Director's commitment to providing a solid return to the shareholders. This return is supported by the loan growth experienced over the last 12 months and reflects our efforts to remain a strong independent community bank.

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