



Stock Symbol: CZFS.OB

www.firstcitizensbank.com

Dear Shareholders and Friends:

April 30, 2014

I am pleased to report to you our financial performance for the first quarter of 2014. Financial results continue to remain strong and shall continue to place us near the top of our peers, even though performance is slightly below 2013's first quarter results. Margin compression and increasing regulatory burdens continue to be the primary factors in our first quarter results. However, our results reflect our commitment to remain a strong, well-capitalized, local community bank committed to serving our communities and customers, as well as providing exceptional shareholder return and value. We continue to focus on our strategic plan, which includes investments in technology, new products and services, and wealth management resources. During the first quarter, we introduced our mobile banking app which is an example of our commitment to serving our customers and meeting their needs for better and more convenient banking products and services.

For the three months ended March 31, 2014, net income totaled \$3,176,000 which compares to net income of \$3,287,000 for the first quarter of 2013. This represents a decrease of \$111,000, or 3.4%. Earnings per share of \$1.05 for the first quarter compares to \$1.08 last year. Annualized return on equity for the comparable periods was 13.38% and 15.22%, while return on assets was 1.41% and 1.50%, respectively.

Net interest income, before the provision for loan losses, increased from \$7,313,000 for the three months ended March 31, 2013, to \$7,512,000 for 2014. Although interest income decreased \$218,000, interest expense decreased \$417,000 from last year's first quarter resulting in an overall increase in net interest income of \$199,000 over the comparable periods. Our margin decreased from 3.90% last year to 3.87% this year due to the continued difficult economic environment that has been persistent in impacting us and others in our industry. The prolonged interest rate environment has resulted in a continued decrease in the tax-effected yield on interest earning assets, from 4.72% last year to 4.47% this year. Interest earning assets, mostly loans, increased by \$28 million compared to last year, which helped significantly in offsetting the decline in yields. The cost of interest bearing liabilities declined from .99% last year to .72% in 2014.

At March 31, 2014, total assets were \$902.6 million, up from total assets of \$883 million as of March 31, 2013 and down slightly from total assets of \$914.9 million at December 31, 2013. Our investment portfolio has decreased \$6.3 million from year-end 2013. Net loans of \$526 million as of the end of March have decreased \$7.5 million, or 1.4%, compared to the end of last year. However, net loans have increased \$29.2 million from the end of March 2013. Asset quality remains strong. As of March 31, 2014, non-performing assets totaled \$10.5 million and represented 1.98% of loans. This compares to 1.88% as of December 31, 2013. Annualized net charge-offs as a percent of average loans remains very low at .03%.

Stockholders' equity totaled \$95.6 million at March 31, 2014, which compares to \$92.1 million at December 31, 2013. Net income of \$3.2 million was offset by cash dividends of \$1.2 million. Additionally, the unrealized gain on available for sale investment securities increased \$1.4 million from the end of 2013 as a result of changes in interest rates impacting the fair value of investment securities. A cash dividend of \$.385 per share was paid on March 28, 2014 to shareholders of record on March 21, 2014. This quarterly cash dividend is an increase of 35% over the dividend declared a year ago. The continued strength of our financial performance has permitted us to continue to pay an attractive cash dividend and reflects the Board of Directors' desire to provide total shareholder return to our shareholder base.

Additionally, please note that we have updated our dividend reinvestment plan to provide that if no open market purchases are made for the plan for a quarterly or special dividend reinvestment purchase, then the price of shares purchased directly from us is the weighted average trading price for the common stock as it is reported on the OTCQB for the thirty (30) days prior to a dividend payment date for which trades of our common stock have been made. You can view the prospectus, which provides a detailed explanation of our dividend reinvestment plan and any applicable fees, at www.firstcitizensbank.com (we encourage you to read the prospectus in its entirety prior to making a decision to participate in our dividend reinvestment plan). The prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction or to any person in which or to whom it is unlawful to make such offer or solicitation. No action is required by shareholders currently enrolled in our dividend reinvestment plan. Your participation will continue as elected.

In May, we expect to begin construction of a new branch facility in Mill Hall, PA. We believe that our focus on community banking, serving the needs of our customers and recent success with our loan production office in Mill Hall will result in the successful expansion of our branch network. We are very excited about the opportunities that this new market offers, and hope to have our new facility completed by the end of 2014. I would like to personally express my sincere thanks to our employees, local board members, management team and the Board of Directors for their efforts and dedication. As always, we remain committed to servicing the needs of individuals, businesses and communities in our area, and to being a high performing organization. I personally welcome you to stop by one of our branches to see what we are all about and what we have to offer you.

Sincerely,

Randall E. Black
Chief Executive Officer and President

For assistance regarding a change in registration of stock certificates, replacing lost certificates/dividend checks, or address changes, please contact either Gina Boor, Shareholder Services at 800-326-9486 or our transfer agent -- Broadridge Corporate Issuer Solutions, Inc., 1717 Arch Street, Suite 1300, Philadelphia, PA 19103 / toll free: 877-830-4936 / website: <https://investor.broadridge.com>.

Consolidated Balance Sheet

(Unaudited - In thousands, except share data)

	March 31 2014	December 31 2013	March 31 2013
ASSETS:			
Total cash and cash equivalents	\$ 11,409	\$ 10,083	\$ 37,114
Interest bearing time deposits with other banks	2,480	2,480	-
Available-for-sale securities	310,983	317,301	300,176
Loans (net of allowance for loan losses: 2014, \$7,233; December 31, 2013, \$7,098; March 31, 2013, \$6,928)	525,990	533,514	496,795
Other assets	51,764	51,556	48,865
TOTAL ASSETS	\$ 902,626	\$ 914,934	\$ 882,950
LIABILITIES:			
Total deposits	\$ 753,643	\$ 748,316	\$ 736,921
Borrowed funds	45,728	66,932	45,556
Other liabilities	7,671	7,630	9,703
TOTAL LIABILITIES	807,042	822,878	792,180
STOCKHOLDERS' EQUITY	95,584	92,056	90,770
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 902,626	\$ 914,934	\$ 882,950

Consolidated Statement of Income

(Unaudited - In thousands)

	Three Months Ended March 31	
	2014	2013
Interest income	\$ 8,781	\$ 8,999
Interest expense	1,269	1,686
Net interest income	7,512	7,313
Provision for loan losses	180	150
Net interest income after provision for loan losses	7,332	7,163
Investment securities gains, net	171	196
Other non-interest income	1,572	1,656
Non-interest expense	5,047	4,822
Income before provision for income taxes	4,028	4,193
Provision for income taxes	852	906
NET INCOME	\$ 3,176	\$ 3,287

Performance Ratio and Share Data:

	2014	2013
Return on average assets (annualized)	1.41%	1.50%
Return on average equity (annualized)	13.38%	15.22%
Net interest margin (tax equivalent)	3.87%	3.90%
Cash dividends per share	\$ 0.385	\$ 0.272
Earnings per share - basic	\$ 1.05	\$ 1.08
Earnings per share - diluted	\$ 1.05	\$ 1.08
Number of shares used in computation - basic	3,012,204	3,033,716
Number of shares used in computation - diluted	3,012,398	3,034,165
Book value per share (at end of period)	\$ 31.63	\$ 28.69
Common shares outstanding (at end of period)	3,016,695	2,893,595
Nonperforming assets to total loans (at end of period)	1.98%	1.77%

Per share calculations give retroactive effect to stock dividends declared by the Company