

Dear Shareholders and Friends:

July 29, 2016

On behalf of the Board of Directors and our management team, I am pleased to report on our financial performance for the second quarter of 2016. These are very exciting times for our company, as we continue to build and invest in our future. In July, regulatory approval was received for a new branch in Mount Joy, Pennsylvania. This new location is a key extension to our southcentral market and will significantly add to our ability to now serve our new customer base in Lancaster County.

Also in July, we announced the addition of another team of experienced agricultural lenders that will serve both the Lebanon and Lancaster markets. With this new addition, along with the agricultural team that was added in the spring based in Winfield, PA, and our existing core of experienced agricultural lenders, we are poised to be one of the leading agricultural lenders in Pennsylvania. These efforts coupled with the strategic acquisition of The First National Bank of Fredericksburg (FNB), provides our Company with the platform for future growth.

Our financial results, which remain solid, do reflect these investments to support future growth opportunities. For the six months ended June 30, 2016, net income totaled \$6,314,000 which compares to net income of \$6,309,000 for the first six months of 2015. Basic earnings per share of \$1.88 for the first six months of 2016 compares to \$2.06 for the first six months last year. Annualized return on equity for the six months ended June 30, 2016 and 2015 was 10.34% and 12.41%, while return on assets was 1.06% and 1.36%, respectively.

For the three months ended June 30, 2016, net income totaled \$3,031,000 which compares to net income of \$3,189,000 for the second quarter of 2015, a decrease of \$158,000. Basic earnings per share of \$.91 for the second quarter of 2016 compares to \$1.04 for the second quarter last year. Annualized return on equity for the three months ended June 30, 2016 and 2015 was 9.88% and 12.45%, while return on assets was 1.02% and 1.36%, respectively.

Our strategic efforts, while creating very positive potential future growth, have resulted in increased operating expenses of \$3.5 million for the six months ended June 30, 2016 compared to the same period last year. Along with the acquisition, we have added the two lending teams and several administrative personnel to support the anticipated growth. We continue to invest in technology, including the transition to a new debit card processing system which includes up to date technology to help fight debit card fraud.

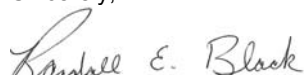
Net interest income before the provision for loan loss has increased from \$15,148,000 for the six months ended June 30, 2015 to \$18,376,000 for 2016, an increase of \$3,228,000 or 21.3%. For 2016, interest income increased \$3,349,000, while interest expense increased \$121,000. Our net interest margin decreased from 3.81% last year to 3.62% for 2016, which is a decrease of 19 basis points. The interest rate environment, competitive pressures and the integration of FNB have resulted in a 28 basis point decline in the yield on interest earning assets. However, the cost of interest bearing liabilities has decreased 11 basis points in 2016 compared to the first six months 2015. The provision for loan losses for the six months ended June 30, 2016 totaled \$270,000, in comparison to \$240,000 for the six months ended June 30, 2015.

At June 30, 2016, total assets were \$1.18 billion which compares to \$1.16 billion at December 31, 2015. Available for sale securities of \$360.9 million at June 30, 2016 increased only \$1.2 million from December 31, 2015 due to the unfavorable investment environment and strengthening loan pipelines. Net loans increased \$13.8 million compared to the end of last year, and we expect even stronger growth for the remainder of the year due to our expansion efforts. Since December 31, 2015, deposits have increased \$15.5 million, to a total of \$1.0 billion at June 30, 2016.

Stockholders' equity totaled \$124.5 million at June 30, 2016, which compares to \$119.8 million at December 31, 2015, an increase of \$4.7 million. Net income for the six months of 2016 totaling \$6.3 million was offset by cash dividends of \$2.8 million and net treasury share purchases of \$1.1 million. 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 \$2.3 million from the end of 2015. A cash dividend of \$.415 per share, along with a 1% stock dividend, was paid on June 30, 2016 to shareholders of record on June 23, 2016. This regular quarterly cash dividend is an increase of 2.5% over the regular dividend declared a year ago, and continues to reflect the Board of Directors' desire to provide total shareholder return to our shareholder base.

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. I also would like to welcome our new team of employees to First Citizens. We are very excited about our growth opportunities, which now include Lancaster County, and the impact it should have on our company. I welcome you to stop by any 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

Quarterly Shareholder Letter

Consolidated Balance Sheet (Unaudited - In thousands)

	June 30 2016	December 31 2015	June 30 2015
ASSETS:			
Total cash and cash equivalents	\$ 26,822	\$ 24,384	\$ 10,912
Interest bearing time deposits with other banks	6,954	7,696	5,960
Available-for-sale securities	360,944	359,737	304,792
Loans (net of allowance for loan losses: 2016, \$7,359; December 31, 2015, \$7,106; June 30, 2015, \$6,959)	701,756	687,925	564,692
Other assets	83,042	83,242	56,123
TOTAL ASSETS	\$ 1,179,518	\$ 1,162,984	\$ 942,479
LIABILITIES:			
Total deposits	\$ 1,003,482	\$ 988,031	\$ 791,887
Borrowed funds	38,786	41,631	39,194
Other liabilities	12,794	13,562	8,173
TOTAL LIABILITIES	1,055,062	1,043,224	839,254
STOCKHOLDERS' EQUITY	124,456	119,760	103,225
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,179,518	\$ 1,162,984	\$ 942,479

Consolidated Statement of Income (Unaudited - In thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	\$ 10,426	\$ 8,768	\$ 20,888	\$ 17,539
Interest expense	1,255	1,207	2,512	2,391
Net interest income	9,171	7,561	18,376	15,148
Provision for loan losses	135	120	270	240
Net interest income after provision for loan losses	9,036	7,441	18,106	14,908
Investment securities gains, net	128	175	155	301
Other non-interest income	1,855	1,780	3,744	3,382
Non-interest expense	(7,301)	(5,428)	(14,213)	(10,763)
Income before provision for income taxes	3,718	3,968	7,792	7,828
Provision for income taxes	687	779	1,478	1,519
NET INCOME	\$ 3,031	\$ 3,189	\$ 6,314	\$ 6,309

Performance Ratios and Share Data (unaudited):

Return on average assets (annualized)	1.02%	1.36%	1.06%	1.36%
Return on average equity (annualized)	9.88%	12.45%	10.34%	12.41%
Net interest margin (tax equivalent)	3.62%	3.77%	3.62%	3.81%
Cash dividends paid per share	\$ 0.419	\$ 0.402	\$ 0.829	\$ 0.802
Earnings per share - basic	\$ 0.91	\$ 1.04	\$ 1.88	\$ 2.06
Earnings per share - diluted	\$ 0.91	\$ 1.04	\$ 1.88	\$ 2.06
Number of shares used in computation - basic	3,343,254	3,052,285	3,349,913	3,055,569
Number of shares used in computation - diluted	3,343,663	3,053,349	3,350,118	3,056,103
Book value per share (at end of period)			\$ 36.59	\$ 33.66
Common shares outstanding (at end of period)			3,345,454	3,028,676
Nonperforming assets to total loans (at end of period)			1.81%	1.61%