Stock Symbol: CZFS.OB

www.firstcitizensbank.com

Dear Shareholders and Friends:

October 30, 2015

On behalf of the Board of Directors and our team, I am pleased to report on our financial performance for the third quarter of 2015. Our Management Team, plus numerous teams of dedicated employees have been extremely busy during the third quarter working on the acquisition of The First National Bank of Fredericksburg (FNB) and our expansion into the Lebanon Valley Region of Pennsylvania. Teams from both First Citizens and FNB have worked diligently on the merger and we anticipate a successful closing and conversion in the fourth quarter of 2015. As work progresses on the merger, we remain optimistic about the tremendous growth opportunities this new market provides.

Our financial performance for the quarter was solid, although it reflects the ongoing yield curve challenges that we and other financial institutions are forced to deal with. Our performance was also impacted by merger related costs, which were expected, and other expenses related to foreclosed properties. We also have incurred additional costs in 2015 related to our expansion into the Lock Haven market in the first quarter, which aligns with our strategic plan. Despite this, our financial results remain strong and continue to compare favorably to peers.

For the nine months ended September 30, 2015, net income totaled $9,166,000 which compares to net income of $9,909,000 for the comparable 2014 period. This represents a decrease of $743,000, or 7.5%. Earnings per share of $3.04 for the first nine months of 2015 compares to $3.26 for the first nine months of 2014. Annualized return on equity for the nine months ended September 30, 2015 and 2014 was 11.93% and 13.64%, while return on assets was 1.31% and 1.46%, respectively. Included in 2015 results are $405,000 of costs associated with the FNB merger and $686,000 of foreclosed property expenses. .

For the three months ended September 30, 2015 net income totaled $2,857,000 which compares to net income of $3,368,000 for the third quarter of 2014, which is a decrease of $511,000. Earnings per share of $.95 for the third quarter of 2015 compares to $1.11 for the third quarter last year. Annualized return on equity for the three months ended September 30, 2015 and 2014 was 11.00% and 13.59%, while return on assets was 1.21% and 1.48%, respectively. Third quarter results are impacted by $282,000 of merger related costs and $328,000 of foreclosed property expenses.

Net interest income before the provision for loan loss has increased from $22,736,000 for the nine months ended September 30, 2014 to $22,793,000 for 2015. For the nine months ended September 30, 2015, interest income decreased $76,000, which has been offset by a decrease in interest expense of $133,000. With no relief in the yield curve and the ongoing interest rate environment, the margin has decreased from 3.85% last year to 3.78% for 2015. This has resulted in continued pressure on the tax-effected yield on interest earning assets, which has decreased from 4.43% last year to 4.32% this year. The cost of interest bearing liabilities has also declined, from .71% last year to .66% in 2015. To offset the declining margin, we have been successful in increasing interest earning assets, particularly loans. For 2015, average loans have increased by $29.6 million compared to the first nine months of 2014. The provision for loan losses decreased $120,000 for the nine month comparable periods.

At September 30, 2015, total assets were $954.0 million, up from total assets of $913.0 million as of September 30, 2014 and up $29.0 million from total assets of $925.0 million at December 31, 2014. Compared to December 31, 2014, available for sale investments have decreased $5.5 million, mostly due to unattractive yields in the market. However, net loans have increased $28.7 million, or 5.2%, compared to the end of last year. Included within this loan growth is $11.2 million that has come from the continued success in growing loans in the Mill Hall / Lock Haven market. Asset quality remains strong, and improving, with non-performing assets to total loans at 1.44% as of September 30, 2015 compared to 1.67% at December 31, 2014 and September 30, 2014. Annualized net charge-offs as a percent of average loans remains very low at .03%.

Stockholders' equity totaled $103.9 million at September 30, 2015, which compares to $100.5 million at December 31, 2014 and $99.2 million at September 30, 2014. For 2015, net income of $9.2 million was offset by cash dividends of $4.0 million and net treasury share purchases re-issues of $2.0 million. A regular cash dividend of $.41 per share was paid on September 25, 2015 to shareholders of record on September 18, 2015. This regular quarterly cash dividend is an increase of 2.5% over the regular dividend declared a year ago. Additionally, due to the continued outstanding financial performance, the Board of Directors declared a one-time special cash dividend of $.10 per share which was also paid on September 25, 2015 to shareholders of record on September 18, 2015. Our strong financial performance has permitted us to continue paying an attractive cash dividend and reflects 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 cannot say enough about the effort these individuals put forth for our company. We look forward to an exciting fourth quarter as we close on the FNB merger and expand our footprint into Lebanon County. We also look forward to welcoming and serving FNB's customers with the same commitment to service that we currently provide to our customers today. I personally 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

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.

Quarterly Shareholder Letter (Revised Format)

Consolidated Balance Sheet
(Unaudited - In thousands, except share data)

	September 30 2015	December 31 2014	Septenber 30 2014
ASSETS:			
Total cash and cash equivalents	$ 10,314	$ 11,423	$ 11,323
Interest bearing time deposits with other banks	6,460	5,960	5,712
Available-for-sale securities	300,630	306,146	308,283
Loans (net of allowance for loan losses: 2015, $7,045; December 31, 2014, $6,815; September 30, 2014, $6,816)	575,964	547,290	536,939
Other assets	60,609	54,229	50,788
TOTAL ASSETS	$ 953,977	$ 925,048	$ 913,045
LIABILITIES:			
Total deposits	$ 797,848	$ 773,933	$ 768,042
Borrowed funds	44,657	41,799	37,729
Other liabilities	7,568	8,788	8,114
TOTAL LIABILITIES	850,073	824,520	813,885
STOCKHOLDERS' EQUITY	103,904	100,528	99,160
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 953,977	$ 925,048	$ 913,045

Consolidated Statement of Income
(Unaudited - In thousands)

	Three Months Ended Septermber 30		Nine Months Ended Septermber 30	
	2015	2014	2015	2014
Interest income	$ 8,863	$ 8,808	$ 26,402	$ 26,478
Interest expense	1,218	1,234	3,609	3,742
Net interest income	7,645	7,574	22,793	22,736
Provision for loan losses	120	150	360	480
Net interest income after provision for loan losses	7,525	7,424	22,433	22,256
Investment securities gains, net	129	242	430	488
Other non-interest income	1,736	1,682	5,118	4,978
Non-interest expense	5,852	5,067	16,615	15,158
Income before provision for income taxes	3,538	4,281	11,366	12,564
Provision for income taxes	681	913	2,200	2,655
NET INCOME	$ 2,857	$ 3,368	$ 9,166	$ 9,909
Performance Ratios and Share Data:				
Return on average assets (annualized)	1.21%	1.48%	1.31%	1.46%
Return on average equity (annualized)	11.00%	13.59%	11.93%	13.64%
Net interest margin (tax equivalent)	3.73%	3.84%	3.78%	3.85%
Cash dividends paid per share	$ 0.510	$ 1.000	$ 1.320	$ 1.772
Earnings per share - basic	$ 0.95	$ 1.11	$ 3.04	$ 3.26
Earnings per share - diluted	$ 0.95	$ 1.11	$ 3.03	$ 3.26
Number of shares used in computation - basic	3,011,687	3,035,214	3,019,202	3,038,973
Number of shares used in computation - diluted	3,013,151	3,036,700	3,020,670	3,040,400
Book value per share (at end of period)			$ 34.34	$ 32.10
Common shares outstanding (at end of period)			3,001,071	3,041,904
Nonperforming assets to total loans (at end of period)			1.44%	1.67%

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