

Citizens Financial Services, Inc. (OTC Pink: CZFS) has agreed to acquire The First National Bank of Fredericksburg (Private)

Deal Value: \$22.1 Million

Sandler O'Neill served as financial advisor to Citizens Financial Services, Inc. in this transaction. This transaction represents Sandler O'Neill's 83rd bank or thrift transaction nationwide since January 1, 2014, representing \$13.9 billion in aggregate transaction value, more than any other investment bank during that time period.¹

Mansfield, PA and Fredericksburg, PA; June 30, 2015. Citizens Financial Services, Inc. ("Citizens") (OTC Pink: CZFS), the holding company for First Citizens Community Bank ("First Citizens"), and The First National Bank of Fredericksburg ("FNB") jointly announced today the signing of a definitive merger agreement under which Citizens will acquire FNB by merging FNB with and into First Citizens.

Citizens, headquartered in Mansfield, had consolidated total assets of \$930.0 million at March 31, 2015. Citizens operates eighteen full-service offices in Pennsylvania and New York. FNB, headquartered in Fredericksburg, had total assets of \$238.1 million at March 31, 2015. FNB serves the Lebanon Valley region, which is situated between two of the largest metropolitan areas in Pennsylvania (Harrisburg and Allentown), through seven full service offices located in Lebanon, Berks, and Schuylkill Counties in Pennsylvania. Upon completion of the transaction, the combined company will have approximately \$1.1 billion in total assets, \$1.0 billion in total deposits and \$710.0 million in total loans.

The cash and stock transaction is valued at approximately \$22.1 million, based on Citizen's closing stock price as of June 30, 2015. Under the terms of the merger agreement, which has been approved by the boards of directors of the constituent companies, each FNB stockholder will be entitled to elect to receive (i) \$630.00 in cash, (ii) shares of Citizens common stock based on a fixed exchange ratio of 12.6000 shares of Citizens common stock for each share of FNB common stock, or (iii) a combination of cash and stock, in exchange for each share of FNB common stock owned at the closing of the transaction. Elections are subject to proration and allocation to ensure that 75% of the outstanding shares of FNB common stock are exchanged for shares of Citizens common stock and the remaining 25% are exchanged for cash. For federal income tax purposes, the transaction is expected to qualify as a tax-free reorganization and provide a tax-free exchange for FNB stockholders who receive shares of Citizens common stock in exchange for their shares of FNB common stock. The merger agreement also provides that, effective upon the closing of the transaction, Citizens and First Citizens will add to their board of directors one current member of the FNB board of directors.

The transaction is expected to be completed in the fourth calendar quarter of 2015 subject to the satisfaction of customary closing conditions, including the receipt of regulatory approvals and the approval of FNB's stockholders.

Financial Highlights

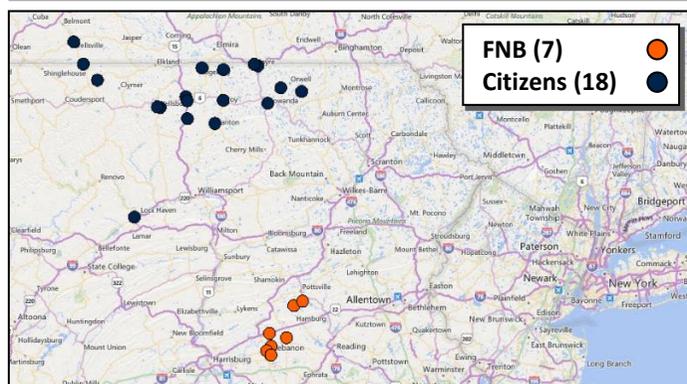
(Dollars in thousands)	<u>Citizens</u>	<u>FNB</u>
Total Assets	\$929,972	\$238,080
Net Loans	\$559,286	\$141,769
Total Deposits	\$788,776	\$219,748
Total Equity	\$102,289	\$15,838
Tang. Common Equity / Tang. Assets	10.01%	6.65%

¹⁾ Excludes terminated transactions, self-advisory roles

Note: Financial data as of 3/31/15

Source: SNL Financial

Pro Forma Branch Map



Sandler O'Neill Contacts:

1251 Avenue of the Americas, 6th Floor
New York, NY 10020

Thomas Gallagher
Managing Director
(212) 466-8069

Matt Murray
Associate
(212) 466-7726

Parker Hurst
Analyst
(212) 466-8037