

Letter to the Shareholders

To our Shareholders, Customers and Friends:

During October of 1957, a group of local shareholders and your founding Board of Directors came together to form Citizens Bank. Today, your Bank remains committed to those same foundational values, steadfastly dedicated to preserving the ideals of true community banking while remaining an independent high-performing institution.

We are pleased to report the enclosed results for 2017, your Bank's 60th anniversary. Total assets finished the year at \$771 million, rising \$48 million or 7% over the previous year. Loans and deposits returned to balanced growth, which was more consistent with our historical measures. Loan growth surpassed \$23 million or 6% during 2017, ending the year at \$404 million. Deposit growth remained strong, increasing \$50 million or 8% during 2017, ending the year at \$655 million.

Pretax income was \$10 million as of December 31, 2017, a 32% increase over the prior year. This was a direct result of our continued focus on conservative community banking fundamentals and a robust credit culture. Through persistent commitment to cost controls, coupled with our sustained balance sheet advancement, pretax income increased a total of 82% over the past two years.

Our 2017 after-tax earnings were tempered by a \$1.2 million charge to revalue the Bank's deferred tax assets. This entry was required by Generally Accepted Accounting Principles ("GAAP") as a result of the Federal Government's "Tax Cuts and Jobs Act," which was signed into law on December 22, 2017. The charge was recorded within the Bank's 2017 provision for income taxes, resulting in an effective tax rate of 46% as of December 31, 2017. The additional tax expense should be recovered during 2018 through a lower effective tax rate, which is currently estimated to approximate 24%. Net of this charge, we are pleased to report \$5.4 million in net income for the year ended December 31, 2017 (a 10% increase over the net income reported in 2016). Continued growth in the Bank's balance sheet along with steadily increasing profits led to the Board's declaration of the Bank's 59th consecutive annual dividend of \$0.37 cents per common share in 2017.

These results would not be possible without the steadfast commitment of our dedicated personnel. Team Citizens has remained committed for over 60 years to one simple Mission, to remain an independent high-performing community bank that is owned, directed and operated by those who live and work in the communities we serve. Because of this commitment, Citizens Bank remains safe and secure.

Thank you for your continued support.

Gordon Zimmerman
President/CEO

Bill Humphreys Sr.
Chairman of the Board