



Letter to the Shareholders

To our Shareholders, Customers and Friends:

We are pleased to report the financial results for 2018, an excellent year for Citizens Bancorp. Total assets, loans and deposits finished nearly identical to those reported in 2017. Our 169 dedicated employees throughout our 15 branch footprint have consistently delivered an exceptional customer experience to the communities we serve. By leading with the humble principal of "doing the right thing," our Corporate Culture drives every decision we make. Our commitment to strong credit fundamentals continues to yield exemplary loan quality and performance. Our low-cost deposit model is generating significant value as market deposit rates start to rise after 10 years of historically low interest rates. Total assets finished 2018 at \$772 million, total loans were at \$410 million and total deposits were at \$648 million.

2018 net income was not directly comparable to 2017 due to the Federal Government's "Tax Cuts and Jobs Act" which was signed into law on December 22, 2017. As noted last year, the Bank incurred a one-time charge of \$1.2 million during 2017 to revalue our deferred tax assets. This charge was fully recovered during 2018 in the form of a lower effective tax rate (25% in 2018 vs. 46% in 2017 due to the one-time charge). A more comparable analysis is gained by focusing on income before income taxes.

2018 income before income taxes was \$12.4 million, an increase of \$2.4 million or 24% over that reported in 2017. This increase was the result of stellar loan quality and performance as well as solid investment portfolio yields, which led to an overall increase of \$3 million or 12% in total interest income.

2018 total shareholders' equity increased \$7.3 million or 10% after the Board's declaration of the Bank's 60th consecutive annual dividend, which increased to \$0.50 per common share and was paid during January of 2019. 2018 net income after taxes was \$9.3 million, resulting in a return on average assets (ROA) of 1.2% and return on average equity (ROE) of 12.44%. Our 2018 net interest margin increased to 3.87% and our efficiency ratio decreased to 56.7%, while maintaining a conservative loan to deposit ratio of 62.5%.

This consistent strong performance is not possible without the commitment from our exceptional Team. We are blessed to work with a highly trained and dedicated group of employees, led by an extraordinary and devoted Board of Directors. Together we are proud to deliver on our 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. Your investment in Citizens Bank is greatly appreciated.

Thank you for your continued support.

Gordon Zimmerman

President/CEO

Bill Humphreys Sr.

Chairman of the Board