

CITIZENS BANCORP



2nd Quarter



2018



June 30th

To Our Shareholders, Customers and Friends:

We are pleased to report Citizens Bancorp's financial results for the six months ended June 30, 2018 and 2017, respectively. Year-to-date 2018 net income of \$4.2 million increased \$1.3 million (or 46%) over the prior year first six months of \$2.9 million. This growth resulted in earnings of \$0.71 per common share, increasing approximately 45% over the prior period. Pre-tax income of \$5.5 million increased \$1.1 million (or 24%) over the prior year first six months of \$4.4 million. These results were in line with our expectations and recognized the benefits of the December 2017 changes to Federal income tax laws. Pre-tax net income growth was driven equally by increases in loan balances and effective yields on our investment portfolio.

Assets have increased to \$761 million as of June 30, 2018. Asset growth of \$31.6 million (or 4%) continues to be driven by our steadily increasing deposit base, up \$37.6 million (or 6%) over the prior period. Loans increased \$8.2 million (or 2%) over the same period, while our excess liquidity continues to be invested in a conservative mix of short-term government backed investment securities.

Your Bank remains conservative and well positioned to meet the needs of the communities we serve. Credit quality remains strong, our employees are committed to our disciplined credit culture, and our balance sheet is well structured. Oregon's economy is hitting on all cylinders. While recent actions regarding international trade may begin to affect pockets of our economy, Citizens Bank will be here for our customers and our communities just as we have been consistently for the past 61 plus years.

Thank you for your continued support and loyalty,

Gordon Zimmerman
President/CEO

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	AT JUNE 30,	
	2018	2017
ASSETS		
Cash and due from banks	\$ 15,247	\$ 14,144
Interest-bearing deposits in banks	61,797	56,860
Securities	247,259	230,077
Loans, net	396,472	388,233
Bank-owned life insurance	15,670	15,239
Accrued interest receivable	2,783	2,356
Other real estate owned	823	888
Premises and equipment, net	11,816	11,912
Other assets	9,350	9,865
Total assets	\$ 761,217	\$ 729,574
LIABILITIES		
Deposits	648,960	611,408
Repurchase agreements	29,799	37,578
Other liabilities	7,485	8,295
Total liabilities	686,244	657,281
SHAREHOLDERS' EQUITY		
Series A preferred stock	2,224	2,224
Common stock	42,209	41,422
Retained earnings	34,168	29,319
Accumulated other comprehensive income	(3,628)	(672)
Total shareholders' equity	74,973	72,293
Total liabilities & shareholders' equity	\$ 761,217	\$ 729,574

Citizens Bank established October 5, 1957
Citizens Bancorp established July 1, 1997
Citizens Bancorp is the holding company for Citizens Bank

FINANCIAL HIGHLIGHTS

(Dollars in thousands)

	2018	AT JUNE 30,	
		2017	2016
Net Income	\$ 4,174	\$ 2,862	\$ 2,237
Total Assets	\$ 761,217	\$ 729,574	\$ 658,203
Total Deposits	\$ 648,960	\$ 611,408	\$ 546,421
Total Net Loans	\$ 396,472	\$ 388,233	\$ 358,864

Rev. 7/18

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	SIX MONTHS ENDED JUNE 30,	
	2018	2017
INTEREST INCOME		
Loans	\$ 10,941	\$ 10,327
Securities	2,122	1,562
Interest-bearing deposits in banks	377	247
Total interest income	13,440	12,136
INTEREST EXPENSE		
Deposits	262	238
Repurchase agreements	28	38
Total interest expense	290	276
NET INTEREST INCOME	13,150	11,860
Provision for loan losses	450	600
Net interest income after provision	12,700	11,260
NONINTEREST INCOME		
Service charges on deposit accounts	486	450
BankCard income	485	502
Other noninterest income	499	573
Total noninterest income	1,470	1,525
NONINTEREST EXPENSE		
Salaries and employee benefits	6,096	5,866
Occupancy and equipment	845	772
Data processing expense	370	386
Other noninterest expense	1,344	1,331
Total noninterest expense	8,655	8,355
Income before taxes	5,515	4,430
Provision for income taxes	1,341	1,568
NET INCOME	\$ 4,174	\$ 2,862
BASIC EARNINGS PER COMMON SHARE		
Basic	\$ 0.71	\$ 0.49

SHAREHOLDER INFORMATION

Shareholder Relations:

Phone: (541) 752-5161
Fax: (541) 757-3546

Address: PO Box 30
275 SW Third Street
Corvallis, Oregon 97339

Visit us online at: www.citizensEbank.com

