



Letter to Shareholders

1st Quarter

2022

March 31, 2022

To Our Shareholders, Customers, and Friends:

After months of misrepresentations and denials, Russia invaded the independent sovereign state of Ukraine during February of 2022. Our thoughts and prayers go out to the people of Ukraine as well as all who stand in harm's way due to this ongoing war. The continued defiance and bravery of the Ukrainian people are an inspiration to all. Citizens Bank has partnered with the Corvallis Sister Cities Association and is accepting donations in support of the Ukrainian people at all our branch locations.

This ongoing conflict has added additional pressures to our national and local economies already stressed with inflation levels not seen for 40 years. Just a short 12 months ago, the United States was beginning to emerge from the COVID pandemic. Unprecedented economic stimulus was injected into the country, bridging this medical recession, saving untold businesses, communities, and citizens at a time when financial assistance was critical. Inflation was an unintended consequence of these actions.

The Federal Reserve Open Market Committee (FOMC) has begun tightening its monetary policy in response to this rapid inflation growth. Their commitment to price stability and sustained economic growth has led to swift increases in interest rates. The FOMC will require fortitude in the months ahead to continue the battle against inflation and bring about economic stability.

Our rapid balance sheet growth, driven by unprecedented deposit growth of nearly 40% during the pandemic and supported by a strong capital position at its inception, has now begun to slow. We continue to reduce the loan loss reserve that was bolstered by aggressive provisioning in 2020, as no credit losses have been realized to date. The abundant liquidity generated through deposit growth leaves your institution well positioned to serve our local communities as the economic recovery continues.

Select Q1 2022 highlights include:

- Net income of \$1.5 million, decreased \$683 thousand from 2021's \$2.1 million, directly related to tepid loan demand along with historic Federal Reserve interest rate reductions.
- Nearly 100% of all PPP loans have been forgiven with no losses recognized to date.
- Total assets increased 5.0% or \$51.1 million to \$1.1 billion as of March 31, 2022.
- Total deposits increased 8.1% or \$71.1 million to \$944.2 million as of March 31, 2022.
- Core loans, net of PPP loans, decreased 9.6% or \$36.1 million as of March 31, 2022. This decline accelerated slightly above our Bank's historical recessionary trends to due excessive liquidity within our customer base.
- Shareholders' equity decreased \$18.2 million or 18.9%, directly related to investments held as available-for-sale and reported at fair value as of March 31, 2022. The Bank has no current intent to sell these securities and such unrealized losses are deemed to be temporary.

In April of 1957, a group of local leaders came together to begin the formation of Citizens Bank. As we celebrate our 65th year, it's an honor to represent this group's vision of a locally owned community bank. Regardless of economic challenge, we are confident in your Bank's sustained strength and stability, driving prosperity for years to come. Thank you for your continued support.

Gordon Zimmerman
President/CEO

Bill Humphreys Sr.
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in thousands)

	At March 31,	
	2022	2021
ASSETS		
Cash and due from banks	\$ 20,861	\$ 19,139
Interest-bearing deposits in banks	104,124	146,908
Securities	558,268	403,654
Loans, net of allowance	340,430	410,381
Bank-owned life insurance	20,533	20,009
Accrued interest receivable	3,604	3,501
Other real estate owned	723	747
Premises and equipment, net	12,356	12,554
Other assets	15,979	8,836
Total assets	\$ 1,076,878	\$ 1,025,729
LIABILITIES		
Deposits	944,202	873,063
Repurchase agreements	47,351	47,580
Other liabilities	7,301	8,870
Total liabilities	998,854	929,513
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,941
Common stock	45,339	44,775
Retained earnings	53,317	46,980
Accumulated other comprehensive income (loss)	(22,566)	2,520
Total shareholders' equity	78,024	96,216
Total liabilities & shareholders' equity	\$ 1,076,878	\$ 1,025,729

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)

	At March 31,		
	2022	2021	2020
Net Income	\$ 1,459	\$ 2,141	\$ 129
Total Assets	\$ 1,076,878	\$ 1,025,729	\$ 799,453
Total Net Loans	\$ 340,430	\$ 410,381	\$ 393,748
Total Deposits	\$ 944,202	\$ 873,063	\$ 663,058
Loan-to-Deposit Ratio	36.05%	47.00%	59.38%
Net Interest Margin	2.57%	2.90%	3.97%
Return on Assets	0.55%	0.85%	0.07%
Return on Equity	6.04%	9.18%	0.56%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2022	2021
INTEREST INCOME		
Loans	\$ 4,370	\$ 5,326
Interest-bearing deposits in banks	46	55
Securities	2,039	1,412
Total interest income	6,455	6,793
INTEREST EXPENSE		
Deposits	99	99
Repurchase agreements	13	14
Total interest expense	112	113
NET INTEREST INCOME	6,343	6,680
Provision for loan losses	(450)	-
Net interest income after provision	6,793	6,680
NONINTEREST INCOME		
Service charges on deposit accounts	136	131
Debit and ATM interchange fee income, net	209	205
Other noninterest income	364	483
Total noninterest income	709	819
NONINTEREST EXPENSE		
Salaries and employee benefits	3,990	3,007
Occupancy and equipment	564	595
Data processing expense	161	461
Other noninterest expense	859	624
Total noninterest expense	5,574	4,687
Income before taxes	1,928	2,812
Provision for income taxes	469	671
NET INCOME	\$ 1,459	\$ 2,141

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.24	\$0.36
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

