

Letter to the Shareholders

1st Quarter

2020

March 31st

To our Shareholders, Customers, and Friends:

First and foremost, we hope this finds you, your family, friends and loved ones in good health. The current impacts of the worldwide COVID-19 pandemic are far reaching, while also reaffirming what is most important. Our health is our wealth. We are no longer only a global economy. We are all interrelated as a global community.

Our Nation entered this pandemic at the top of an economic cycle. Our financial services sector is stronger today than in any point in recent times, with strong capital, exceptional historical earnings and clean portfolios. This is not a financial crisis today. It is a health crisis. Our health care professionals, service providers and support industries are re-defining the word "leadership." Their selfless dedication and commitment to our communities is astonishing.

Our Federal and State Governments are taking decisive action to protect our citizens as well as provide economic support in ways not imaginable at any point in our Country's history. Your Bank is actively participating in these initiatives, partnering with the Small Business Administration on a multitude of programs to directly fund nearly \$85 million to our customers, businesses and communities.

Your Bank remains strong, our dedicated Board and Teams remain healthy. Their efforts, dedication and commitment to each other, our customers and communities is humbling. Together we approach this pandemic as not a moment in time, but rather as the continued commitment to a long-term view. While this is a short-term health crisis, we are focused on the future.

Our first quarter results from operations remained strong, as the pandemic's economic effects were not felt directly in our communities until early March 2020. However, the short-term economic outlook may significantly impact our communities for the remainder of 2020. We have therefore chosen to aggressively fund our loan loss reserves with nearly all of our first quarter net income, a \$3 million provision for the short-term effects of this pandemic. Our unwavering commitment to our conservative fundamentals will continue to drive our actions until this pandemic is arrested and clarity of its economic impact is achieved.

Our balance sheet remains well-structured with significant liquidity that continues to increase. Our loans remain healthy, and our results from operations support our aggressive actions to provide for the unknown. It is impossible to predict the full economic impact of this pandemic. Regardless of outcome, together as a community and as a Country, there is nothing we cannot overcome.

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,	
	2020	2019
ASSETS		
Cash and due from banks	\$ 16,170	\$ 13,999
Interest-bearing deposits in banks	107,324	60,068
Securities	241,009	250,247
Loans, net	393,748	409,506
Bank-owned life insurance	17,961	15,977
Accrued interest receivable	2,986	3,142
Other real estate owned	771	807
Premises and equipment, net	12,597	11,887
Other assets	6,887	8,884
Total assets	<u>\$ 799,453</u>	<u>\$ 774,517</u>
LIABILITIES		
Deposits	663,058	650,779
Repurchase agreements	34,147	31,809
Other liabilities	6,937	8,103
Total liabilities	<u>704,142</u>	<u>690,691</u>
SHAREHOLDERS' EQUITY		
Series A preferred stock	2,198	2,224
Common stock	44,316	43,287
Retained earnings	43,452	38,825
Accumulated other comprehensive income (loss)	5,345	(510)
Total shareholders' equity	<u>95,311</u>	<u>83,826</u>
Total liabilities & shareholders' equity	<u>\$ 799,453</u>	<u>\$ 774,517</u>

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,		
	2020	2019	2018
Net Income	\$ 129	\$ 2,448	\$ 1,981
Total Assets	\$ 799,453	\$ 774,517	\$ 772,005
Total Net Loans	\$ 393,748	\$ 409,506	\$ 396,275
Total Deposits	\$ 663,058	\$ 650,779	\$ 658,193
Loan-to-Deposit Ratio	59.38%	62.93%	60.21%
Net Interest Margin	3.97%	4.22%	3.68%
Return on Assets	0.07%	1.30%	1.04%
Return on Equity	0.56%	12.19%	11.03%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	THREE MONTHS ENDED MARCH 31,	
	2020	2019
INTEREST INCOME		
Loans	\$ 5,688	\$ 5,873
Securities	1,504	1,409
Interest-bearing deposits in banks	175	224
Total interest income	<u>7,367</u>	<u>7,506</u>
INTEREST EXPENSE		
Deposits	123	119
Repurchase agreements	15	14
Total interest expense	<u>138</u>	<u>133</u>
NET INTEREST INCOME	7,229	7,373
Provision for loan losses	3,045	100
Net interest income after provision	<u>4,184</u>	<u>7,273</u>
NONINTEREST INCOME		
Service charges on deposit accounts	189	211
Debit and ATM interchange fee income, net	175	171
Other noninterest income	371	298
Total noninterest income	<u>735</u>	<u>680</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	3,430	3,367
Occupancy and equipment	450	428
Data processing expense	225	197
Other noninterest expense	716	721
Total noninterest expense	<u>4,821</u>	<u>4,713</u>
Income before taxes	98	3,240
Provision for income taxes	(31)	792
NET INCOME	<u>\$ 129</u>	<u>\$ 2,448</u>
BASIC EARNINGS PER COMMON SHARE		
Basic	\$ 0.02	\$ 0.41

SHAREHOLDER INFORMATION

Shareholder Relations:

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