



Letter to Shareholders

2nd Quarter

2021

June 30, 2021

To our Shareholders, Customers, and Friends:

On June 1, 2021, Citizens Bank reopened our lobbies to the public after 15 months of Covid mandated health and safety restrictions. On June 30, 2021 Oregon's Governor lifted most pandemic related orders and Oregon was once again fully open for business. We are proud of the extensive efforts our Team delivered while serving our customers and communities throughout these unprecedented times.

The Federal Government's Paycheck Protection Program (PPP) continues to be the centerpiece of these efforts. Citizens Bank delivered over 1,100 PPP loans totaling \$132.5 million in critical funds to our customers, directly impacting 15,000 jobs across our footprint. As of June 30, 2021, nearly 70% of these loans have been fully forgiven and paid by the US Small Business Administration (SBA). In addition, we assisted many impacted customers by deferring payment terms to lessen the effects of the pandemic.

Rapid rollout of vaccines across the Country have significantly reduced the spread of this virus and saved countless lives. While we cannot discount the impact of Covid variants, the worst of the pandemic appears to be behind us. Our thanks and gratitude to the health care profession and first responders cannot be understated.

Last year, Citizens Bank took decisive action to set aside \$6.36 million of our 2020 earnings through provisions for potential future loan losses. These losses have not materialized. The majority of loans granted deferred payment terms have resumed payments as originally structured and no pandemic related losses have been realized. These results combined with the forgiveness and repayment of PPP loans have led the Bank to reverse \$3.5 million of loan loss reserves as of June 30, 2021.

Select Q2 2021 highlights include:

- Net income of \$6.7 million for the six months ended June 30, 2021, increasing \$6.1 million from the prior period \$600 thousand, was significantly impacted by the loan loss reserve provisioning in 2020 and recovery in 2021.
- Income before taxes and the provision for loan losses for the six months ended June 30, 2021 decreased 22% or \$1.5 million, directly related to timing of PPP loan fee and cost recognition.
- Total assets increased 11.7% or \$111 million to \$1.05 billion as of June 30, 2021.
- Total deposits increased 11.9% or \$95 million to \$894 million as of June 30, 2021.
- Loans, net of allowance decreased 18.2% or \$86 million to \$386 million as of June 30, 2021. \$90 million of our SBA PPP loans were forgiven and repaid through June 30, 2021.
- As of June 30, 2021, the allowance for loan losses is 2.28% of total loans and 2.57% net of remaining PPP loans fully guaranteed by the SBA.

Our loan portfolio remains solid, our capital remains strong, and our liquidity is extensive. We remain committed to our conservative community banking fundamentals and are well positioned to meet the needs of our customers and communities as the economic recovery continues.

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 June 30,	
	2021	2020
ASSETS		
Cash and due from banks	\$ 33,985	\$ 18,509
Interest-bearing deposits in banks	126,321	194,318
Securities	462,039	215,318
Loans, net of allowance	385,867	471,689
Bank-owned life insurance	20,131	19,580
Accrued interest receivable	3,678	3,556
Other real estate owned	743	765
Premises and equipment, net	12,469	12,502
Other assets	8,168	6,513
Total assets	<u>\$ 1,053,401</u>	<u>\$ 942,750</u>
LIABILITIES		
Deposits	893,831	798,566
Repurchase agreements	50,385	41,083
Other liabilities	9,121	6,912
Total liabilities	<u>953,337</u>	<u>846,561</u>
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,941	1,647
Common stock	44,775	44,316
Retained earnings	51,506	43,918
Accumulated other comprehensive income (loss)	1,843	6,308
Total shareholders' equity	<u>100,065</u>	<u>96,189</u>
Total liabilities & shareholders' equity	<u>\$ 1,053,402</u>	<u>\$ 942,750</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 June 30,		
	2021	2020	2019
Net Income	\$ 6,666	\$ 595	\$ 5,150
Total Assets	\$ 1,053,402	\$ 942,749	\$ 774,350
Total Net Loans	\$ 385,867	\$ 471,690	\$ 410,821
Total Deposits	\$ 893,831	\$ 798,566	\$ 645,182
Loan-to-Deposit Ratio	43.17%	59.07%	63.68%
Net Interest Margin	2.91%	3.57%	4.22%
Return on Assets	1.28%	0.14%	1.34%
Return on Equity	14.61%	1.26%	12.43%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
INTEREST INCOME				
Loans	\$ 5,542	\$ 5,593	\$ 10,868	\$ 11,281
Interest-bearing deposits in banks	48	60	103	235
Securities	1,591	1,186	3,003	2,690
Total interest income	<u>7,181</u>	<u>6,839</u>	<u>13,974</u>	<u>14,206</u>
INTEREST EXPENSE				
Deposits	102	127	201	250
Repurchase agreements	14	17	27	32
Total interest expense	<u>116</u>	<u>144</u>	<u>228</u>	<u>282</u>
NET INTEREST INCOME				
Provision for loan losses	(3,500)	3,315	(3,500)	6,360
Net interest income after provision	<u>10,565</u>	<u>3,380</u>	<u>17,246</u>	<u>7,564</u>
NONINTEREST INCOME				
Service charges on deposit accounts	133	130	264	319
Debit and ATM interchange fee income, net	230	181	435	356
Other noninterest income	447	365	929	752
Total noninterest income	<u>810</u>	<u>676</u>	<u>1,628</u>	<u>1,427</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	3,683	2,087	6,692	5,517
Occupancy and equipment	481	558	964	1,007
Data processing expense	202	233	663	458
Other noninterest expense	890	656	1,625	1,388
Total noninterest expense	<u>5,256</u>	<u>3,534</u>	<u>9,944</u>	<u>8,370</u>
Income before taxes	6,119	522	8,930	621
Provision for income taxes	1,593	56	2,264	25
NET INCOME	<u>\$ 4,525</u>	<u>\$ 466</u>	<u>\$ 6,666</u>	<u>\$ 596</u>

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.76	\$0.08	\$1.12	\$0.10
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

