



Letter to Shareholders

1st Quarter

2021

March 31, 2021

To Our Shareholders, Customers, and Friends:

While COVID continues to impact all aspects of our lives, we have much to be thankful for and abundant reasons for optimism. Our health care workers and first responders have been and continue to be the true heroes of this pandemic. They have selflessly delivered lifesaving care for those most adversely impacted, rapidly developed multiple vaccines to combat this virus and swiftly delivered these vaccines to our communities and citizens.

The Federal Government has also responded in unprecedented ways. Continued stimulus efforts have resulted in extensive liquidity throughout the economy and provided critical funds to those financially impacted. The Federal Reserve has cut rates to near zero levels, which while impacting profitability for the financial services sector, has spurred consumer spending and record deposit growth. Our economy is now beginning to emerge from the recession, and while early, the recovery appears set to expand at a significant pace.

Citizens Bank took prompt and decisive action in 2020 to intentionally defer earnings with outsized provisions for potential future loan losses related to the pandemic. To date, loan losses have not materialized. The combination of these substantial reserves and excess liquidity have positioned the Bank well for the economic recovery now underway. Additionally, we have made significant investments in technology to help improve the customer's experience while providing increasing efficiencies to our operations.

Select Q1 2021 highlights include:

- Income before taxes and the provision for loan losses decreased 10.5% or \$331 thousand, directly related to the Federal Reserve interest rate reductions, impacting our net interest margins.
- Net income of \$2.1 million for the three months ended March 31, 2021, increased \$2.0 million from the prior period \$129 thousand, which was significantly impacted by the \$3.0 million provision for loan losses during the first quarter of 2020.
- Total assets increased 28.3% or \$226 million to \$1.03 billion as of March 31, 2021.
- Total deposits increased 31.7% or \$210 million to \$873 million as of March 31, 2021.
- SBA PPP loans totaled over 1,100 loans and \$132 million in funding to our local businesses and communities, supporting over 15,000 jobs throughout our communities.
- Total loans increased 5.2% or \$21 million to \$423 million as of March 31, 2021. Economic uncertainty combined with \$66 million of our SBA PPP loans forgiven through March 31, 2021 have resulted in tempered loan growth.

Throughout this pandemic we have witnessed outstanding dedication and commitment from our employees, who continue to go above and beyond for our customers and communities. I am confident that their efforts, coupled with the trust of our shareholders and customers, will assure our continued success for generations to come.

Thank you for your continued support and loyalty.

Gordon Zimmerman
President/CEO

CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in thousands)

	At March 31,	
	2021	2020
ASSETS		
Cash and due from banks	\$ 19,139	\$ 16,170
Interest-bearing deposits in banks	146,908	107,324
Securities	403,654	241,009
Loans, net	410,381	393,748
Bank-owned life insurance	20,009	17,961
Accrued interest receivable	3,501	2,986
Other real estate owned	747	771
Premises and equipment, net	12,554	12,597
Other assets	8,836	6,887
Total assets	<u>\$ 1,025,729</u>	<u>\$ 799,453</u>
LIABILITIES		
Deposits	873,063	663,058
Repurchase agreements	47,580	34,147
Other liabilities	8,870	6,937
Total liabilities	<u>929,513</u>	<u>704,142</u>
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,941	2,198
Common stock	44,775	44,316
Retained earnings	46,980	43,452
Accumulated other comprehensive income (loss)	2,520	5,345
Total shareholders' equity	<u>96,216</u>	<u>95,311</u>
Total liabilities & shareholders' equity	<u>\$ 1,025,729</u>	<u>\$ 799,453</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,		
	2021	2020	2019
Net Income	\$ 2,141	\$ 129	\$ 2,448
Total Assets	\$ 1,025,729	\$ 799,453	\$ 774,517
Total Net Loans	\$ 410,381	\$ 393,748	\$ 409,506
Total Deposits	\$ 873,063	\$ 663,058	\$ 650,779
Loan-to-Deposit Ratio	47.00%	59.38%	62.93%
Net Interest Margin	2.90%	3.97%	4.22%
Return on Assets	0.85%	0.07%	1.30%
Return on Equity	9.18%	0.56%	12.19%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2021	2020
INTEREST INCOME		
Loans	\$ 5,326	\$ 5,688
Securities	1,412	1,504
Interest-bearing deposits in banks	55	175
Total interest income	<u>6,793</u>	<u>7,367</u>
INTEREST EXPENSE		
Deposits	99	123
Repurchase agreements	14	15
Total interest expense	<u>113</u>	<u>138</u>
NET INTEREST INCOME	<u>6,680</u>	<u>7,229</u>
Provision for loan losses	-	3,045
Net interest income after provision	<u>6,680</u>	<u>4,184</u>
NONINTEREST INCOME		
Service charges on deposit accounts	131	189
Debit and ATM interchange fee income, net	205	175
Other noninterest income	483	386
Total noninterest income	<u>819</u>	<u>750</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	3,008	3,430
Occupancy and equipment	483	450
Data processing expense	461	225
Other noninterest expense	735	731
Total noninterest expense	<u>4,687</u>	<u>4,836</u>
Income before taxes	2,812	98
Provision for income taxes	671	(31)
NET INCOME	<u>\$ 2,141</u>	<u>\$ 129</u>

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.36	\$0.02
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

