



Letter to Shareholders

3rd Quarter

2021

September 30, 2021

To our Shareholders, Customers, and Friends:

Oregon continued to be impacted by the effects of the Covid pandemic during the third quarter of 2021. While Nationwide case counts peaked in the winter of 2020, Oregon's case counts were 44% higher during August 2021 vs. the winter of 2020. This resulted in our health care systems becoming overwhelmed, challenging our hospitals to care for all patients with limited and insufficient resources. Our first responders and health care workers have been the true heroes of this pandemic, a debt of gratitude that is difficult to ever repay. Please take a moment to thank those who work in the health care industry for their continued extensive efforts on behalf of our citizens most impacted by this pandemic.

Our communities continue to recover from this medical recession and significant liquidity remains throughout the financial services industry. This has provided a safety net for many businesses, allowing most to survive and even thrive as we recover. While this has led to rapid deposit growth for Citizens Bank, it has also impacted loan growth. Loans generated by Citizens Bank through the Federal Government's Paycheck Protection Program (PPP) delivered over 1,100 PPP loans totaling \$132.5 million in critical funds to our customers. These loans totaled over \$96 million as of September 30, 2020, but nearly all customers have received forgiveness through the Small Business Administration (SBA) and only \$15 million remain as of September 30, 2021. Additionally, all customers we supported with deferred payment accommodations during the pandemic's onset have returned to original payment terms and no pandemic loan losses have been incurred to date.

As our loan quality has withstood the challenges of this pandemic, Citizens Bank has reversed \$1.0 million of loan loss reserves during the current quarter and \$4.5 million of reserves for the nine months ended September 30, 2021. These reserves were set aside during the pandemic's inception in early 2020, and thankfully such losses have not materialized.

Select Q3 2021 highlights include:

- Net income of \$9.1 million for the nine months ended September 30, 2021, increasing \$7.1 million from the prior period \$2.0 million, 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 nine months ended September 30, 2021 decreased 16% or \$1.5 million, impacted by PPP loan fee and cost recognition as well as the continued low-rate environment.
- Total assets increased 9.5% or \$94 million to \$1.08 billion as of September 30, 2021.
- Total deposits increased 10.4% or \$87 million to \$925 million as of September 30, 2021.
- Core loans net of PPP loans decreased 7.1% or \$27 million, to \$351 million as of September 30, 2021.
- \$117.5 million of our SBA PPP loans were forgiven and repaid through September 30, 2021.
- The allowance for loan losses is 2.19% of total loans and 2.29% net of remaining PPP loans fully guaranteed by the SBA as of September 30, 2021.

We remain committed to our Corporate Culture and conservative community banking fundamentals, our loan portfolio remains strong, our balance sheet has abundant liquidity, and we 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 September 30,	
	2021	2020
ASSETS		
Cash and due from banks	\$ 34,182	\$ 19,088
Interest-bearing deposits in banks	114,128	256,972
Securities	526,474	202,988
Loans, net of allowance	358,128	462,657
Bank-owned life insurance	20,291	19,750
Accrued interest receivable	4,075	4,041
Other real estate owned	735	759
Premises and equipment, net	12,483	12,524
Other assets	8,338	6,342
Total assets	<u>\$ 1,078,834</u>	<u>\$ 985,121</u>
LIABILITIES		
Deposits	924,965	837,922
Repurchase agreements	43,410	42,456
Other liabilities	8,434	7,123
Total liabilities	<u>976,809</u>	<u>887,501</u>
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,941	1,647
Common stock	44,775	44,316
Retained earnings	53,944	45,319
Accumulated other comprehensive income (loss)	1,366	6,338
Total shareholders' equity	<u>102,026</u>	<u>97,620</u>
Total liabilities & shareholders' equity	<u>\$ 1,078,835</u>	<u>\$ 985,121</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 September 30,		
	2021	2020	2019
Net Income	\$ 9,105	\$ 2,001	\$ 7,979
Total Assets	\$ 1,078,835	\$ 985,121	\$ 805,284
Total Net Loans	\$ 358,128	\$ 462,657	\$ 406,814
Total Deposits	\$ 924,965	\$ 837,922	\$ 675,457
Loan-to-Deposit Ratio	38.72%	55.21%	60.23%
Net Interest Margin	2.88%	3.29%	4.22%
Return on Assets	1.11%	0.27%	1.37%
Return on Equity	13.15%	2.73%	12.42%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
INTEREST INCOME				
Loans	\$ 5,054	\$ 5,370	\$ 15,922	\$ 16,651
Interest-bearing deposits in banks	72	71	174	306
Securities	1,672	1,048	4,675	3,739
Total interest income	<u>6,798</u>	<u>6,489</u>	<u>20,771</u>	<u>20,696</u>
INTEREST EXPENSE				
Deposits	102	129	303	379
Repurchase agreements	14	17	41	48
Total interest expense	<u>116</u>	<u>146</u>	<u>344</u>	<u>427</u>
NET INTEREST INCOME				
Provision for loan losses	(1,000)	300	(4,500)	6,660
Net interest income after provision	<u>7,682</u>	<u>6,043</u>	<u>24,927</u>	<u>13,609</u>
NONINTEREST INCOME				
Service charges on deposit accounts	134	137	398	456
Debit and ATM interchange fee income, net	222	197	657	553
Other noninterest income	421	510	1,352	1,261
Total noninterest income	<u>777</u>	<u>844</u>	<u>2,407</u>	<u>2,270</u>
NONINTEREST EXPENSE				
Salaries and employee benefits	3,630	3,620	10,322	9,137
Occupancy and equipment	578	560	1,487	1,478
Data processing expense	237	238	899	695
Other noninterest expense	818	672	2,499	2,151
Total noninterest expense	<u>5,263</u>	<u>5,090</u>	<u>15,207</u>	<u>13,461</u>
Income before taxes	3,196	1,797	12,127	2,418
Provision for income taxes	758	396	3,022	421
NET INCOME	<u>\$ 2,438</u>	<u>\$ 1,400</u>	<u>\$ 9,105</u>	<u>\$ 1,997</u>

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.41	\$0.24	\$1.52	\$0.33
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

