

Letter to the Shareholders

3rd Quarter

2020

September 30th

To our Shareholders, Customers, and Friends:

These are truly unprecedented times. Nine months into 2020, our Country remains immersed in the Covid Pandemic. Our Federal Government has taken extraordinary steps to provide extensive financial support to our communities and our citizens. We have learned a great deal about this virus, adapting best social practices to keep our communities safe as we await the medical solution.

While much remains unknown, our foundation, principals and fundamentals remain unchanged. We have taken a contrarian yet conservative approach during the past nine months to aggressively fund our provision for potential future loan losses. Until a medical solution is achieved and our economy recovers with our customers returning to normal business activity, uncertainty remains. We have intentionally provided these outsized reserves due to this uncertainty. We have chosen the long game, forgoing short term profits for the long-term strength of our institution – thereby assuring stability and success. We remain focused on preserving the Citizens Bank legacy for generations to come.

Select 2020 year-to-date highlights include:

- Income before taxes and the provision for loan losses decreased 17.9% or \$2.0 million, directly related to the Federal Reserve interest rate reductions.
- Net income of \$2.0 million for the nine months ended September 30, 2020, decreased \$6.0 million from the prior period \$8.0 million, directly related to the \$6.6 million provision for loan losses during 2020. Our reserves for potential future loan losses were 2.6% of total loans and 3.2% net of government guarantees.
- Total assets increased 22.3% or \$179.8 million to \$985 million as of September 30, 2020.
- Total deposits increased 24.1% or \$162.5 million to \$838 million as of September 30, 2020.
- Loans funded through the Small Business Administration's (SBA) Payroll Protection Program (PPP) totaled approximately 760 loans for nearly \$100 million in funding to our local businesses and communities. 10,500 jobs were supported at a median loan amount of \$58,000.
- 100% of our PPP loans, while fully guaranteed by the SBA, were funded with local community deposits at Citizens Bank. Community deposits funding community businesses in need, true community banking during its finest hour.
- Locally, we have supported local charitable organizations to directly benefit those most impacted by the Pandemic as well as Oregon's wildfires. Please visit our "Citizens in the Community" webpage on our Bank's website for our response.

Our loan portfolio remains well diversified, our balance sheet is well structured with significant liquidity and capital. While we will live with this virus until a medical solution is achieved, we will emerge stronger, better and well positioned for the future.

Thank you for your continued support and loyalty,

Gordon Zimmerman
President/CEO

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	AT SEPTEMBER 30,	
	2020	2019
ASSETS		
Cash and due from banks	\$ 19,088	\$ 22,688
Interest-bearing deposits in banks	256,972	47,318
Securities	202,988	286,057
Loans, net	462,657	406,814
Bank-owned life insurance	19,750	17,705
Accrued interest receivable	4,041	3,666
Other real estate owned	759	783
Premises and equipment, net	12,524	12,467
Other assets	6,342	7,786
Total assets	<u>\$ 985,121</u>	<u>\$ 805,284</u>
LIABILITIES		
Deposits	837,922	675,457
Repurchase agreements	42,456	30,424
Other liabilities	7,123	7,654
Total liabilities	<u>887,501</u>	<u>713,535</u>
SHAREHOLDERS' EQUITY		
Series A preferred stock	1,647	2,198
Common stock	44,316	43,287
Retained earnings	45,319	44,356
Accumulated other comprehensive income (loss)	6,338	1,908
Total shareholders' equity	<u>97,620</u>	<u>91,749</u>
Total liabilities & shareholders' equity	<u>\$ 985,121</u>	<u>\$ 805,284</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,		
	2020	2019	2018
Net Income	\$ 1,997	\$ 7,979	\$ 6,643
Total Assets	\$ 985,121	\$ 805,284	\$ 787,687
Total Net Loans	\$ 462,657	\$ 406,814	\$ 400,712
Total Deposits	\$ 837,922	\$ 675,457	\$ 671,398
Loan-to-Deposit Ratio	55.21%	60.23%	59.68%
Net Interest Margin	3.29%	4.22%	3.79%
Return on Assets	0.27%	1.37%	1.15%
Return on Equity	2.73%	12.42%	11.93%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2020	2019
INTEREST INCOME		
Loans	\$ 16,651	\$ 17,951
Securities	3,739	4,282
Interest-bearing deposits in banks	306	862
Total interest income	<u>20,696</u>	<u>23,095</u>
INTEREST EXPENSE		
Deposits	379	370
Repurchase agreements	48	42
Total interest expense	<u>427</u>	<u>412</u>
NET INTEREST INCOME	<u>20,269</u>	<u>22,683</u>
Provision for loan losses	6,660	475
Net interest income after provision	<u>13,609</u>	<u>22,208</u>
NONINTEREST INCOME		
Service charges on deposit accounts	456	617
Debit and ATM interchange fee income, net	553	554
Other noninterest income	1,261	1,156
Total noninterest income	<u>2,270</u>	<u>2,327</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	9,137	9,861
Occupancy and equipment	1,478	1,363
Data processing expense	695	591
Other noninterest expense	2,151	2,127
Total noninterest expense	<u>13,461</u>	<u>13,942</u>
Income before taxes	2,418	10,593
Provision for income taxes	421	2,614
NET INCOME	<u>\$ 1,997</u>	<u>\$ 7,979</u>
BASIC EARNINGS PER COMMON SHARE		
Basic	\$0.33	\$1.35

SHAREHOLDER INFORMATION

Shareholder Relations:

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