

Letter to the Shareholders

2nd Quarter

2020

June 30th

To our Shareholders, Customers, and Friends:

We have come a long way in a short period of time. In many respects, the end of Q1 2020 seems like a lifetime ago. Our region, our Country and the entire global community was reacting to an unknown pandemic that was beginning to sweep through every corner of the world.

Fast forward three months and the end of Q2 2020. We have learned a tremendous amount in a short period of time. While we will remain dependent upon a medical solution to the current economic and social impacts of this virus, we have risen to the challenge. We have adopted best practices, analyzed and modified multiple approaches, and will continue to do so until this virus is defeated.

Our Federal Government response has provided critical financial support at levels never imagined. Citizens Bank partnered with the Small Business Administration (SBA) to fund 740 plus loans totaling nearly \$100 million directly to our customers, supporting over 10,000 jobs across our footprint. While these loans are supported with SBA guarantees, they were funded 100% with the deposits of our Citizens Bank customers. There is simply no better example of community banking.

Your Bank remains solidly grounded in a strong financial position. Our balance sheet has expanded significantly, increasing \$168 million year over year and closing up 22% at \$943 million. This was driven by community supported deposit growth of 24% or \$153 million, a testament to your Bank's conservative fundamentals. The vast majority of this growth has occurred since March 31, 2020, and is directly attributable to our participation with the SBA's Paycheck Protection Program. Income from operations remains solid, and we have intentionally continued to allocate a substantial portion of our profits to provisions for potential loan losses. This is not because of identified weaknesses in our portfolio, but rather to plan today for what may occur in the future. While contrarian to peer, we firmly believe this approach will provide flexibility and optionality to our customers and communities, ultimately serving our shareholders well for the long term. We are all in this together, and completely dependent on a medical solution to the current economic recession. It is truly unprecedented times.

It remains impossible to forecast the social and financial impacts of the current pandemic. Our methodology will remain consistent with our historical approach to community banking. Through strong relationships with our customers, a continued conservative approach to lending and a commitment to the communities we serve, Citizens Bank will continue to thrive and prosper.

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,	
	2020	2019
ASSETS		
Cash and due from banks	\$ 18,509	\$ 16,735
Interest-bearing deposits in banks	194,318	53,636
Securities	215,318	252,790
Loans, net	471,690	410,821
Bank-owned life insurance	19,580	16,063
Accrued interest receivable	3,556	3,224
Other real estate owned	765	805
Premises and equipment, net	12,502	12,160
Other assets	6,511	8,116
Total assets	<u>\$ 942,749</u>	<u>\$ 774,350</u>
LIABILITIES		
Deposits	798,566	645,182
Repurchase agreements	41,083	32,294
Other liabilities	6,911	8,094
Total liabilities	<u>846,560</u>	<u>685,570</u>
SHAREHOLDERS' EQUITY		
Series A preferred stock	1,647	2,224
Common stock	44,316	43,287
Retained earnings	43,918	41,526
Accumulated other comprehensive income (loss)	6,308	1,743
Total shareholders' equity	<u>96,189</u>	<u>88,780</u>
Total liabilities & shareholders' equity	<u>\$ 942,749</u>	<u>\$ 774,350</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,		
	2020	2019	2018
Net Income	\$ 596	\$ 5,150	\$ 4,174
Total Assets	\$ 942,749	\$ 774,350	\$ 761,217
Total Net Loans	\$ 471,690	\$ 410,821	\$ 396,472
Total Deposits	\$ 798,566	\$ 645,182	\$ 648,960
Loan-to-Deposit Ratio	59.07%	63.68%	61.09%
Net Interest Margin	3.57%	4.22%	3.73%
Return on Assets	0.14%	1.34%	1.09%
Return on Equity	1.26%	12.43%	11.47%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	SIX MONTHS ENDED JUNE 30,	
	2020	2019
INTEREST INCOME		
Loans	\$ 11,281	\$ 11,948
Securities	2,690	2,713
Interest-bearing deposits in banks	235	557
Total interest income	<u>14,206</u>	<u>15,218</u>
INTEREST EXPENSE		
Deposits	250	243
Repurchase agreements	32	28
Total interest expense	<u>282</u>	<u>271</u>
NET INTEREST INCOME	13,924	14,947
Provision for loan losses	6,360	250
Net interest income after provision	<u>7,564</u>	<u>14,697</u>
NONINTEREST INCOME		
Service charges on deposit accounts	319	407
Debit and ATM interchange fee income, net	356	367
Other noninterest income	752	604
Total noninterest income	<u>1,427</u>	<u>1,378</u>
NONINTEREST EXPENSE		
Salaries and employee benefits	5,517	6,626
Occupancy and equipment	1,007	876
Data processing expense	458	397
Other noninterest expense	1,388	1,340
Total noninterest expense	<u>8,370</u>	<u>9,239</u>
Income before taxes	621	6,836
Provision for income taxes	25	1,686
NET INCOME	<u>\$ 596</u>	<u>\$ 5,150</u>

BASIC EARNINGS PER COMMON SHARE

Basic	\$ 0.10	\$ 0.87
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SHAREHOLDER INFORMATION

Shareholder Relations:

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