



## Letter to Shareholders

**2<sup>nd</sup> Quarter**

**2022**

**June 30, 2022**

To Our Shareholders, Customers, and Friends:

The Federal Reserve Open Market Committee (FOMC) moved words into action during the second quarter of 2022. Overnight Fed Funds rates increased 125 basis points from 0.50% to 1.75%, a pace not matched since 1994. FOMC minutes and continued communication from the Federal Reserve's Board of Governors signal increasing rates at an accelerated speed to stave off inflation. With the existing and proposed increases, overnight rates will soon return to levels during 2018 and may very well go higher in the coming months.

Transparent communications from the FOMC have led bond markets to price in future forecasted interest rate increases. This rapid rise in both overnight and long-term bond yields has led to temporary reserves against capital to account for valuation of our securities portfolio. The majority of the total reserve to date was realized in the first quarter of 2022, with an additional reserve of approximately \$15.9 million recorded in the second quarter of 2022.

Our capital remains solid and this reserve against securities whose fair value has been affected by the rapid increase in interest rates continues to be viewed as temporary. The Bank holds ample liquidity due to our significant deposit growth and balance sheet structure, and we have no current intent to sell any securities.

While inflation and supply chain challenges continue to affect our customers and communities, your bank is well positioned to benefit from the significant growth in deposits over the past two years. The quality and performance of our loan portfolio remains sound, and our aggressive reserves set aside in 2020 have not been utilized with zero losses realized to date. Loan volume is beginning to support economic recovery, increasing \$17 million or 4.8% during the three months ended June 30, 2022. Loan interest remains strong even in front of headwinds from this increasing rate environment.

Select Q2 2022 highlights include:

- Net income of \$1.5 million decreased \$3.0 million from 2021's \$4.5 million, directly related to the reverse provision of \$3.5 million recorded during the second quarter of 2021.
- Pre-tax, pre-provision net income decreased 26.2% or \$687 thousand, primarily related to PPP loan income during 2021 as well as the historic Federal Reserve interest rate reductions.
- Nearly 100% of all PPP loans have been forgiven with no losses recognized to date.
- Total deposits increased 6.1% or \$54.7 million to \$948.5 million as of June 30, 2022.
- Core loans, net of PPP loans, increased 3.4% or \$11.9 million as of June 30, 2022.
- Shareholders' equity decreased \$36.5 million or 36.4%, related to investments held as available-for-sale and reported at fair value as of June 30, 2022. The Bank has no current intent to sell these securities and such unrealized losses are deemed to be temporary.

As our Country continues its economic recovery from the effects of the pandemic, your bank is well positioned to meet the needs of our customers and communities. This would not be possible without the continued outstanding efforts from our steadfastly enthusiastic employees who continue to deliver regardless of challenge. Their efforts during the past two years have been simply outstanding.

Gordon Zimmerman  
President/CEO

Bill Humphreys Sr.  
Chairman of the Board

## CONSOLIDATED BALANCE SHEETS

Unaudited  
(Dollars in thousands)

	At June 30,	
	2022	2021
<b>ASSETS</b>		
Cash and due from banks	\$ 15,681	\$ 33,985
Interest-bearing deposits in banks	105,349	126,321
Securities	522,645	462,039
Loans, net of allowance	357,200	385,867
Bank-owned life insurance	20,659	20,131
Accrued interest receivable	3,527	3,678
Other real estate owned	719	743
Premises and equipment, net	12,329	12,469
Other assets	22,104	8,168
Total assets	<b>\$ 1,060,213</b>	<b>\$ 1,053,401</b>
<b>LIABILITIES</b>		
Deposits	948,513	893,831
Repurchase agreements	40,484	50,385
Other liabilities	7,617	9,120
Total liabilities	996,614	953,336
<b>SHAREHOLDERS' EQUITY</b>		
Series A Preferred stock	1,934	1,941
Common stock	45,339	44,775
Retained earnings	54,778	51,506
Accumulated other comprehensive income (loss)	(38,452)	1,843
Total shareholders' equity	63,599	100,065
Total liabilities & shareholders' equity	<b>\$ 1,060,213</b>	<b>\$ 1,053,401</b>

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,		
	2022	2021	2020
Net Income	\$ 2,919	\$ 6,666	\$ 596
Total Assets	\$ 1,060,213	\$ 1,053,401	\$ 942,749
Total Net Loans	\$ 357,200	\$ 385,867	\$ 471,690
Total Deposits	\$ 948,513	\$ 893,831	\$ 798,566
Loan-to-Deposit Ratio	37.66%	43.17%	59.07%
Net Interest Margin	2.65%	2.91%	3.57%
Return on Assets	0.55%	1.28%	0.14%
Return on Equity	9.01%	14.61%	1.26%

## CONSOLIDATED STATEMENTS OF INCOME

Unaudited  
(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>INTEREST INCOME</b>				
Loans	\$ 4,383	\$ 5,542	\$ 8,753	\$ 10,868
Interest-bearing deposits in banks	220	48	266	103
Securities	2,253	1,591	4,292	3,003
Total interest income	6,856	7,181	13,311	13,974
<b>INTEREST EXPENSE</b>				
Deposits	101	102	200	201
Repurchase agreements	12	14	25	27
Total interest expense	113	116	225	228
<b>NET INTEREST INCOME</b>	6,743	7,065	13,086	13,746
Provision for loan losses	-	(3,500)	(450)	(3,500)
Net interest income after provision	<b>6,743</b>	<b>10,565</b>	<b>13,536</b>	<b>17,246</b>
<b>NONINTEREST INCOME</b>				
Service charges on deposit accounts	135	133	271	264
Debit and ATM interchange fee income, net	228	230	437	435
Other noninterest income	400	447	764	929
Total noninterest income	763	810	1,472	1,628
<b>NONINTEREST EXPENSE</b>				
Salaries and employee benefits	3,853	3,679	7,843	6,692
Occupancy and equipment	624	599	1,188	1,014
Data processing expense	237	202	399	663
Other noninterest expense	860	776	1,719	1,575
Total noninterest expense	5,574	5,256	11,149	9,944
Income before taxes	1,932	6,119	3,859	8,930
Provision for income taxes	471	1,593	940	2,264
<b>NET INCOME</b>	<b>\$ 1,461</b>	<b>\$ 4,526</b>	<b>\$ 2,919</b>	<b>\$ 6,666</b>

## BASIC EARNINGS PER COMMON SHARE

Basic	\$0.24	\$0.76	\$0.49	\$1.12
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## SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: [www.citizensEbank.com](http://www.citizensEbank.com)

