



CITIZENS BANCORP

Letter to Shareholders

3rd Quarter

2023

September 30

To Our Shareholders, Customers, and Friends:

All financial news continues to focus on the Federal Reserve's aggressive actions to contain inflation. While rates have increased a full 1% over the past three quarters, they have increased 5.25% since March of 2022, just 18 months ago. The Federal Reserve's actions have also resulted in mortgage rates topping 8%. This combined with limited housing inventories has made ownership of the single-family home unachievable for a large portion of our citizens. While inflation has cooled significantly, it has become apparent that rates may remain elevated for much longer than originally forecast.

Yet our local and regional economies continue to demonstrate resilience. Inflation measures have dropped significantly from their June 2022 highs, labor shortages have eased, and supply chain issues have been largely resolved. Bank deposit declines experienced in the first quarter of the year have stabilized, growth in loan balances has resumed and credit quality remains strong. Citizens Bank continues to thrive despite these economic headwinds. Loan growth has outpaced historical standards, while deposits stabilized in the second quarter and resumed historical growth trends during the third quarter.

Select Q3 2023 Highlights:

- Income before taxes and the provision for credit losses of \$1.8 million decreased \$773 thousand or 29.8% from 2022's \$2.6 million. Employee costs combined with continued investments in both facilities and technology drove the majority of this decrease.
- Total loans of \$400.7 million increased \$2.1 million or 2.1% annualized during the current quarter.
- Total deposits of \$779 million increased \$6.9 million or 3.6% annualized during the current quarter.
- Total cost of funds increased to 1.07% as of September 30, 2023, from 0.99% at June 30, 2023.
- The Bank has advances on its borrowing facilities with the Federal Reserve, net of interest-bearing deposits in banks, of only \$2.6 million at September 30, 2023. The Bank has approximately \$500 million of additional standby liquidity available.

Select Year-to-date 2023 Highlights:

- Net income of \$4.6 million decreased \$1.8 million, directly related to the \$2.5 million reverse provision for credit losses in 2022.
- Income before taxes and the provision for credit losses of \$6.0 million was consistent with that of the same period in 2022, despite the increased funding and operational costs during 2023.
- Total loans of \$400.7 million increased \$33.9 million or 9.2% over that of the same period in 2022.
- The average yield on the loan portfolio was 5.66% at September 30, 2023, an increase of 56 basis points from the same period in 2022.
- Credit quality remains strong and the Bank has recognized no net loan losses for several years.
- All investment securities are held as available-for-sale and reported at fair value. The Bank has no intent to sell these securities and as such, the unrealized losses are deemed to be temporary.

Citizens Bank was founded over 66 years ago on October 5, 1957, with a goal of providing a local community bank with personal service to our communities. Thank you for the continued support from our long-term and loyal shareholders, as this is the foundation of our success.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	At September 30,	
	2023	2022
ASSETS		
Cash and due from banks	\$ 16,252	\$ 21,082
Interest-bearing deposits in banks	157,358	170,793
Securities	398,678	481,761
Loans, net of allowance	395,096	361,177
Bank-owned life insurance	21,355	20,817
Accrued interest receivable	4,587	3,939
Other real estate owned	-	711
Premises and equipment, net	13,252	12,299
Other assets	29,100	25,487
Total assets	\$ 1,035,678	\$ 1,098,066
LIABILITIES		
Deposits	779,036	996,855
Repurchase agreements and other borrowings	184,413	36,006
Other liabilities	13,416	8,599
Total liabilities	976,865	1,041,460
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	44,849	45,339
Retained earnings	62,793	58,255
Accumulated other comprehensive loss	(50,763)	(48,922)
Total shareholders' equity	58,813	56,606
Total liabilities & shareholders' equity	\$ 1,035,678	\$ 1,098,066

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,		
	2023	2022	2021
Net Income	\$ 4,622	\$ 6,397	\$ 9,105
Total Assets	\$ 1,035,678	\$ 1,098,066	\$ 1,078,834
Total Net Loans	\$ 395,096	\$ 361,177	\$ 358,128
Total Deposits	\$ 779,036	\$ 996,855	\$ 924,965
Loan-to-Deposit Ratio	50.72%	36.23%	38.72%
Net Interest Margin	3.28%	2.75%	2.88%
Return on Assets	0.61%	0.77%	1.11%
Return on Equity	10.00%	13.98%	13.15%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
INTEREST INCOME				
Loans	\$ 5,689	\$ 4,603	\$ 16,198	\$ 13,356
Interest-bearing deposits in banks	2,049	745	4,132	1,010
Securities	2,258	2,342	7,090	6,634
Total interest income	9,996	7,690	27,420	21,000
INTEREST EXPENSE				
Deposits	585	107	1,167	307
Repurchase agreements and other borrowings	1,951	11	3,491	36
Total interest expense	2,536	118	4,658	343
Net interest income	7,460	7,572	22,762	20,657
Provision for credit losses	(332)	(2,100)	19	(2,550)
Net interest income after provision	7,792	9,672	22,743	23,207
NONINTEREST INCOME				
Service charges on deposit accounts	145	141	429	412
Debit and ATM interchange fee income, net	221	222	657	660
Other noninterest income	328	381	1,015	1,145
Total noninterest income	694	744	2,101	2,217
NONINTEREST EXPENSE				
Salaries and employee benefits	4,398	4,051	13,091	11,894
Occupancy and equipment	706	579	2,061	1,767
Data processing expense	258	247	764	646
Other noninterest expense	968	842	2,931	2,561
Total noninterest expense	6,330	5,719	18,847	16,868
Income before taxes	2,156	4,697	5,997	8,556
Provision for income taxes	506	1,219	1,375	2,159
Net income	\$ 1,650	\$ 3,478	\$ 4,622	\$ 6,397

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.28	\$0.58	\$0.77	\$1.07
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

