



CITIZENS BANCORP

## Letter to Shareholders

1st Quarter

2023

March 31

To Our Shareholders, Customers, and Friends:

During March of 2023, three banks who served the technology, innovation and cryptocurrency sectors closed. These banks were unusual in that they had business models with significant concentrations in both customers and industries. The banking system across the Country remains diversified, well capitalized and resilient, with solid loan quality metrics above those prior to the Covid pandemic. The FDIC insurance fund is 100% funded by the banking system without any taxpayer support and stands at an all-time high of \$128.2 billion as of year-end 2022. While economic headwinds and recessionary concerns remain, the banking community is well positioned to weather any storm that may arise.

Citizens Bank has no exposure to these banks, nor do we provide banking services to the cryptocurrency or technology sectors. Citizens Bank has always been deemed “well capitalized” and remains so today, with total risk-based capital in excess of 21% as of March 31, 2023. For over 65 years, we have remained committed to diversification along with safety and soundness. Slow, steady growth will always be our mission.

Today the average community bank has 54% of its deposits covered by FDIC insurance. As of March 31, 2023, 68% of our deposits are covered by FDIC insurance and our average account balance is less than \$45,000. We remain well diversified and committed to our conservative community bank fundamentals in support of the communities we serve, with all deposits gathered locally and used to fund loans within our bank footprint and customer base.

Our unprecedented 50% deposit growth during the pandemic has begun to reverse, in line with national trends. Total deposits decreased approximately 16% or \$154 million during the first quarter ended March 31, 2023, as customers secured higher returns on deposits, predominantly through investments in US Government securities.

Select Q1 2023 highlights include:

- Net income of \$1.8 million increased 21% or \$308 thousand from 2022’s \$1.5 million.
- Income before taxes and the provision for credit losses of \$2.5 million increased 71.3% or \$1.0 million from 2022’s \$1.5 million.
- Total assets decreased \$112.6 million or 10.7% to \$942.6 million during the current quarter.
- Shareholders’ equity increased \$9.3 million or 15.8% during the current quarter.
- Total cost of funds increased slightly from 0.05% to 0.12% as of March 31, 2023.
- 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.
- The Bank has available liquidity totaling \$650 million including cash, unpledged securities, borrowing capacity from the Federal Reserve, Federal Home Loan Bank, and correspondent banks, of which 5.5% or \$36 million was advanced at March 31, 2023.

For over 65 years through multiple business cycles, Citizens Bank has followed our time-tested conservative community bank fundamentals. Our continued focus remains with protecting our shareholders while serving our customers and communities for the long term. Diversification and commitment along with safety and soundness wins the long game.

Gordon Zimmerman  
President/CEO

Eric Thompson  
Chairman of the Board

## CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in thousands)

	At March 31,	
	2023	2022
<b>ASSETS</b>		
Cash and due from banks	\$ 17,383	\$ 20,861
Interest-bearing deposits in banks	31,542	104,124
Securities	456,354	558,268
Loans, net of allowance	375,959	340,430
Bank-owned life insurance	21,056	20,533
Accrued interest receivable	3,807	3,604
Other real estate owned	-	723
Premises and equipment, net	12,427	12,356
Other assets	24,048	15,979
Total assets	<u>\$ 942,576</u>	<u>\$ 1,076,878</u>
<b>LIABILITIES</b>		
Deposits	801,680	944,202
Repos and other borrowings	62,504	47,351
Other liabilities	10,478	8,759
Total liabilities	<u>874,662</u>	<u>1,000,312</u>
<b>SHAREHOLDERS' EQUITY</b>		
Series A Preferred stock	1,934	1,934
Common stock	45,725	45,339
Retained earnings	60,244	51,859
Accumulated other comprehensive income (loss)	<u>(39,989)</u>	<u>(22,566)</u>
Total shareholders' equity	67,914	76,566
Total liabilities & shareholders' equity	<u>\$ 942,576</u>	<u>\$ 1,076,878</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 March 31,		
	2023	2022	2021
Net Income	\$ 1,765	\$ 1,459	\$ 2,141
Total Assets	\$ 942,576	\$ 1,076,878	\$ 1,025,729
Total Net Loans	\$ 375,959	\$ 340,430	\$ 410,381
Total Deposits	\$ 801,680	\$ 944,202	\$ 873,063
Loan-to-Deposit Ratio	46.90%	36.05%	47.00%
Net Interest Margin	3.62%	2.57%	2.90%
Return on Assets	0.72%	0.55%	0.85%
Return on Equity	11.60%	6.04%	9.18%

## CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2023	2022
<b>INTEREST INCOME</b>		
Loans	\$ 5,001	\$ 4,370
Interest-bearing deposits in banks	876	46
Securities	2,477	2,039
Total interest income	<u>8,354</u>	<u>6,455</u>
<b>INTEREST EXPENSE</b>		
Deposits	173	99
Repos and other borrowings	88	13
Total interest expense	<u>261</u>	<u>112</u>
<b>NET INTEREST INCOME</b>	8,093	6,343
Provision for Credit Losses	226	(450)
Net interest income after provision	<u>7,867</u>	<u>6,793</u>
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	139	136
Debit and ATM interchange fee income, net	212	209
Other noninterest income	333	364
Total noninterest income	<u>684</u>	<u>709</u>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	4,463	3,991
Occupancy and equipment	590	537
Data processing expense	253	161
Other noninterest expense	940	885
Total noninterest expense	<u>6,246</u>	<u>5,574</u>
Income before taxes	2,305	1,928
Provision for income taxes	541	469
<b>NET INCOME</b>	<u>\$ 1,765</u>	<u>\$ 1,459</u>

## BASIC EARNINGS PER COMMON SHARE

Basic	\$0.29	\$0.24
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## SHAREHOLDER INFORMATION

Shareholder Relations:

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

