

CITIZENS  BANCORP

Letter to Shareholders

3rd Quarter

2024

September 30

To Our Shareholders, Customers, and Friends:

The Federal Reserve's much anticipated reduction of interest rates began in September of 2024 with a 50-basis point cut in its federal funds rate. While welcome news, elevated interest rates persist, and our regional economy continues to feel the effects of inflation. As a result, the Bank's balance sheet continues to restructure, and financial performance has been negatively impacted by the elevated interest rate environment. Despite these challenges, the Bank continues to maintain strong liquidity and capital, with tier 1 risk-based capital of 21.91%.

Select Q3 2024 Highlights:

- Net income of \$986 thousand decreased 40.3% or \$665 thousand from the prior year's \$1.6 million. This change was driven by a decline in interest income from securities, as well as conservative provisions for future credit losses due to the current economic uncertainty.
- Total deposits increased 0.7% or \$5.0 million during the third quarter, in line with historical seasonality.
- The Federal Reserve Bank Term Funding Program (BTFP) advances were fully repaid during the quarter.
- 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 continues to have significant liquidity, with 48% of our balance sheet in cash and government securities available for sale.

Select 2024 Year-to-Date Highlights:

- Net income of \$2.53 million decreased \$2.07 million or 44.8% from 2023's \$4.62 million.
- The year-to-date average yield on the loan portfolio was 5.89% as of September 30, 2024, an increase of 24 basis points from the same period in 2023.
- The Bank's year-to-date cost-of-funds net of BTFP advances was 0.41% as of September 30, 2024, increasing from 0.22% during the same period in 2023.
- Total assets of \$832 million decreased \$204 million or 19.7% year-over-year, directly related to repayment of all borrowings from the BTFP as well as scheduled repayments from the Bank's securities portfolio.
- Total loans of \$378 million decreased 5.6% or \$22 million during the last twelve months due to loan payoffs related to the sale of underlying collateral on two large credits as well as receipt of SBA financing on a large construction loan.
- Shareholders' equity of \$82.9 million increased \$24.1 million or 41% year-over-year, largely due to continued reductions in the Bank's unrealized losses on its investment portfolio.

Over the past three years, the Bank has made significant investments in technology to improve efficiency and the customer experience. We are grateful for our teams unwavering commitment to the completion of recent process enhancements that will deliver long-term value to our organization. Thank you for the continued support from our long-term loyal shareholders and customers. Your bank remains committed to our conservative community bank fundamentals and our technology investments will provide a strong foundation for years to come.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	At September 30,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 20,424	\$ 16,252
Interest-bearing deposits in banks	26,555	157,358
Securities	352,034	398,678
Loans	378,470	400,691
Allowance	(6,026)	(5,595)
Loans, net of allowance	372,444	395,096
Bank-owned life insurance	21,955	21,355
Accrued interest receivable	4,545	4,587
Premises and equipment, net	13,819	13,252
Other assets	19,882	29,100
Total assets	<u>\$ 831,658</u>	<u>\$ 1,035,678</u>
LIABILITIES		
Deposits	718,613	779,036
Repurchase agreements	20,425	24,413
Other borrowings	-	160,000
Other liabilities	9,667	13,416
Total liabilities	<u>748,705</u>	<u>976,865</u>
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	45,238	44,849
Retained earnings	64,737	62,793
Accumulated other comprehensive loss	(28,956)	(50,763)
Total shareholders' equity	<u>82,953</u>	<u>58,813</u>
Total liabilities & shareholders' equity	<u>\$ 831,658</u>	<u>\$ 1,035,678</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,		
	2024	2023	2022
Net Income	\$ 2,553	\$ 4,622	\$ 6,397
Total Assets	\$ 831,658	\$ 1,035,678	\$ 1,098,066
Total Net Loans	\$ 372,444	\$ 395,096	\$ 361,177
Total Deposits	\$ 718,613	\$ 779,036	\$ 996,855
Loan-to-Deposit Ratio	51.83%	50.72%	36.23%
Net Interest Margin	3.15%	3.28%	2.75%
Return on Assets	0.35%	0.61%	0.77%
Return on Equity	4.90%	10.00%	13.98%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
INTEREST INCOME				
Loans	\$ 5,547	\$ 5,689	\$ 17,022	\$ 16,198
Interest-bearing deposits in banks	1,434	2,049	5,675	4,132
Securities	1,814	2,258	5,815	7,090
Total interest income	8,795	9,996	28,512	27,420
INTEREST EXPENSE				
Deposits	744	585	2,172	1,167
Repurchase agreements	51	62	154	115
Other borrowings	1,096	1,889	5,200	3,376
Total interest expense	1,891	2,536	7,526	4,658
Net interest income	6,904	7,460	20,986	22,762
Provision for credit losses	122	(332)	500	19
Net interest income after provision	6,782	7,792	20,486	22,743
NONINTEREST INCOME				
Service charges on deposit accounts	140	145	435	429
Debit and ATM interchange fee income, net	210	221	613	657
Other noninterest income	363	328	1,023	1,015
Total noninterest income	713	694	2,071	2,101
NONINTEREST EXPENSE				
Salaries and employee benefits	4,418	4,398	13,558	13,091
Occupancy and equipment	624	707	1,972	2,061
Data processing expense	257	258	782	764
Other noninterest expense	992	966	3,079	2,931
Total noninterest expense	6,291	6,329	19,391	18,847
Income before taxes	1,204	2,157	3,166	5,997
Provision for income taxes	218	506	613	1,375
Net income	<u>\$ 986</u>	<u>\$ 1,651</u>	<u>\$ 2,553</u>	<u>\$ 4,622</u>

EARNINGS PER COMMON SHARE

Basic & Diluted	\$0.17	\$0.28	\$0.43	\$0.77
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SHAREHOLDER INFORMATION

Shareholder Relations:

Phone: (541) 766-2261
Address: PO Box 30
275 SW Third Street
Corvallis, Oregon 97339

Visit us online at: www.citizensEbank.com

