



CITIZENS BANCORP

Letter to Shareholders

1st Quarter

2024

March 31

To Our Shareholders, Customers, and Friends:

As we transition into 2024, inflation remains in the forefront, presenting a challenging environment for all. Housing, food, vehicles, fuel, and insurance continue to see prices higher than average inflation levels. Bond markets had originally priced in as many as six rate cuts to the Federal Reserve's overnight interest rates. Today, only two cuts remain, with some economists projecting no reductions in rates during all of 2024.

In the face of today's inflationary headwinds, we remain dedicated to our conservative fundamentals and low cost-of-funds model. These tenets allow the bank to provide safety, security, and convenience to our clients. Deposits are loaned in the communities we serve, with excess deposits invested in short-term US government guaranteed treasury and agency bonds.

Select Q1 2024 Highlights:

- Net income of \$764 thousand decreased 56.7% or \$1.0 million from the prior year's \$1.7 million. This change was largely related to a decline in excess deposits invested overnight with the Federal Reserve as well as reductions in interest income from investments, as the portfolio shrinks due to scheduled payments and maturities.
- Total loans increased 5.0% or \$19.1 million during the last twelve months.
- The average yield on the loan portfolio was 5.87% as of March 31, 2024, an increase of 45 basis points from the same period in 2023.
- Credit quality continues to be strong, with reserves against future credit losses remaining at 1.46% of total loans at quarter end.
- Total securities decreased 18.2% or \$83.1 million year-over-year, in line with contractual payments and maturities. No investment securities have been or are planned to be sold. All securities continue to be classified as available-for-sale and are reported at fair value.
- Total deposits declined 9.4% or \$75.5 million year-over-year, as customers invested excess funds in higher yield investment opportunities.
- Cost-of-funds increased to 1.28% as of March 31, 2024, increasing from 0.12% in the same period in 2023. This increase was due to the rapid escalation of rates by the Federal Reserve; however, the Bank's cost-of-funds remains well below industry averages in line with our low cost-of-funds model.

Throughout all economic cycles, the bank has remained focused on our customers and the communities we serve. From our founding in 1957 through the past ten economic recessions, our commitment has not changed. The bank remains well capitalized, with strong credit quality and liquidity.

While 2024 will continue to present economic challenges, the bank remains focused on assisting our customers navigate any adversities that may arise. The bank remains safe, solid, and secure.

Thank you for your continued support.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in thousands)

	At March 31,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 14,791	\$ 17,383
Interest-bearing deposits in banks	250,614	31,542
Securities	373,267	456,354
Loans	400,669	381,529
Allowance	(5,862)	(5,570)
Loans, net of allowance	394,807	375,959
Bank-owned life insurance	21,631	21,056
Accrued interest receivable	4,517	3,807
Deferred tax assets, net	17,705	17,450
Premises and equipment, net	13,371	12,427
Other assets	4,787	6,598
Total assets	<u>\$ 1,095,490</u>	<u>\$ 942,576</u>
LIABILITIES		
Deposits	726,139	801,680
Repurchase agreements	24,561	26,504
Other borrowings	260,000	36,000
Other liabilities	15,401	10,478
Total liabilities	<u>1,026,101</u>	<u>874,662</u>
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	45,500	45,725
Retained earnings	63,016	60,244
Accumulated other comprehensive loss	(41,061)	(39,989)
Total shareholders' equity	<u>69,389</u>	<u>67,914</u>
Total liabilities & shareholders' equity	<u>\$ 1,095,490</u>	<u>\$ 942,576</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,		
	2024	2023	2022
Net Income	\$ 764	\$ 1,766	\$ 1,459
Total Assets	\$ 1,095,490	\$ 942,576	\$ 1,076,878
Total Net Loans	\$ 394,807	\$ 375,959	\$ 340,430
Total Deposits	\$ 726,139	\$ 801,680	\$ 944,202
Loan-to-Deposit Ratio	54.37%	46.90%	36.05%
Net Interest Margin	3.05%	3.62%	2.57%
Return on Assets	0.30%	0.72%	0.55%
Return on Equity	4.46%	11.60%	6.04%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2024	2023
INTEREST INCOME		
Loans	\$ 5,749	\$ 5,001
Interest-bearing deposits in banks	2,390	876
Securities	2,062	2,477
Total interest income	10,201	8,354
INTEREST EXPENSE		
Deposits	733	173
Repurchase agreements	50	15
Other borrowings	2,223	73
Total interest expense	3,006	261
Net interest income	7,195	8,093
Provision for credit losses	390	224
Net interest income after provision	6,805	7,869
NONINTEREST INCOME		
Service charges on deposit accounts	146	139
Debit and ATM interchange fee income, net	198	212
Other noninterest income	348	333
Total noninterest income	692	684
NONINTEREST EXPENSE		
Salaries and employee benefits	4,654	4,463
Occupancy and equipment	613	591
Data processing expense	256	253
Other noninterest expense	1,039	938
Total noninterest expense	6,562	6,245
Income before taxes	935	2,308
Provision for income taxes	171	542
Net income	<u>\$ 764</u>	<u>\$ 1,766</u>
BASIC EARNINGS PER COMMON SHARE		
Basic	\$0.13	\$0.29

SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

