



Letter to Shareholders

2nd Quarter

2024

June 30

To Our Shareholders, Customers, and Friends:

The second quarter of 2024 delivered improvement and stabilization in overall inflation rates, which have been persistent over the past few years. While housing inflation remains stubbornly high at 5.2% as of June 2024, all other inflation measures in aggregate are now below the Federal Reserve's target goal of 2%. While positive news, this does little to abate the pain inflation has delivered to our communities since the end of the Pandemic.

The Bank's earnings remain under pressure while we restructure our balance sheet with continued scheduled payments and maturities of our investment portfolio and reductions in borrowings. The Federal Reserve's rapid escalation in rates continue to produce higher deposit costs with long-term loan yields not increasing proportionally.

The Bank has weathered many such economic challenges over the past 66 plus years. We believe that disciplined adherence to our community bank fundamentals will provide long-term value regardless of economic headwinds.

Select Q2 2024 Highlights:

- Net income of \$806 thousand decreased 33.2% or \$401 thousand from the prior year's \$1.2 million. This change was largely related to a decline in interest income from securities, which continue to decline with scheduled payments and maturities.
- The average yield on the loan portfolio was 5.90% as of June 30, 2024, an increase of 15 basis points from the same period in 2023.
- Total deposits declined 1.7% or \$12.5 million over the last three months in line with historical trends during tax season.
- Cost-of-funds increased to 1.18% as of June 30, 2024, increasing from 0.81% in the same period in 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 continues to have significant liquidity, with 52% of our balance sheet in cash and government securities available for sale.

Select First Half 2024 Highlights:

- Net income of \$1.6 million decreased \$1.4 million or 47.2% from 2023's \$3.0 million.
- Total assets of \$918.9 million decreased \$112.3 million or 10.9% compared to June 30, 2023, directly related to repayments of borrowings from the Federal Reserve's Bank Term Funding Program as well as declines in deposits as customers invested excess funds in higher yield investment opportunities.
- Total loans of \$388.0 million decreased 2.7% or \$10.7 million during the last twelve months, partially due to one large credit of \$13.5 million, which paid off due to sale of the underlying collateral.
- The Bank reduced its advances from the Federal Reserve's Bank Term Funding Program to \$100 million, which is fully invested at the Federal Reserve at zero net cost to the Bank.
- Shareholders' equity of \$72.1 million increased \$7.2 million or 11.1% during the last twelve months.

We appreciate the enduring support from our long-term loyal shareholders and customers. We continue to invest in our institution for the future, and our team of employees remains committed to our Corporate Culture and conservative operating fundamentals. It's an honor to work alongside this team that remains dedicated to both our customers and the communities we are so fortunate to serve.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in thousands)

	At June 30,	
	2024	2023
ASSETS		
Cash and due from banks	\$ 18,051	\$ 18,129
Interest-bearing deposits in banks	101,202	131,380
Securities	354,346	426,813
Loans	387,955	398,620
Allowance	(5,878)	(5,858)
Loans, net of allowance	382,077	392,762
Bank-owned life insurance	21,768	21,226
Accrued interest receivable	4,113	3,805
Deferred tax assets, net	18,933	19,123
Premises and equipment, net	13,648	12,587
Other assets	4,799	5,423
Total assets	\$ 918,937	\$ 1,031,248
LIABILITIES		
Deposits	713,612	772,097
Repurchase agreements	21,294	23,325
Other borrowings	100,000	160,000
Other liabilities	11,923	10,907
Total liabilities	846,829	966,329
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	45,317	45,725
Retained earnings	63,776	61,451
Accumulated other comprehensive loss	(38,919)	(44,191)
Total shareholders' equity	72,108	64,919
Total liabilities & shareholders' equity	\$ 918,937	\$ 1,031,248

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,		
	2024	2023	2022
Net Income	\$ 1,568	\$ 1,207	\$ 2,919
Total Assets	\$ 918,937	\$ 1,031,248	\$ 1,060,213
Total Net Loans	\$ 382,077	\$ 392,762	\$ 357,200
Total Deposits	\$ 713,612	\$ 772,097	\$ 948,513
Loan-to-Deposit Ratio	53.54%	50.87%	37.66%
Net Interest Margin	3.08%	3.38%	2.65%
Return on Assets	0.31%	0.60%	0.55%
Return on Equity	4.65%	9.53%	9.01%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
INTEREST INCOME				
Loans	\$ 5,726	\$ 5,508	\$ 11,475	\$ 10,509
Interest-bearing deposits in banks	1,850	1,207	4,241	2,083
Securities	1,938	2,355	4,000	4,832
Total interest income	9,514	9,070	19,716	17,424
INTEREST EXPENSE				
Deposits	695	409	1,428	582
Repurchase agreements	53	38	102	53
Other borrowings	1,880	1,414	4,105	1,487
Total interest expense	2,628	1,861	5,635	2,122
Net interest income	6,886	7,209	14,081	15,302
Provision for credit losses	(12)	124	379	351
Net interest income after provision	6,898	7,085	13,702	14,951
NONINTEREST INCOME				
Service charges on deposit accounts	149	145	295	284
Debit and ATM interchange fee income, net	204	224	403	436
Other noninterest income	317	354	662	687
Total noninterest income	670	723	1,360	1,407
NONINTEREST EXPENSE				
Salaries and employee benefits	4,486	4,231	9,140	8,693
Occupancy and equipment	735	765	1,348	1,356
Data processing expense	269	254	525	506
Other noninterest expense	1,048	1,022	2,086	1,962
Total noninterest expense	6,538	6,272	13,099	12,517
Income before taxes	1,030	1,536	1,963	3,841
Provision for income taxes	224	329	395	870
Net income	\$ 806	\$ 1,207	\$ 1,568	\$ 2,971
EARNINGS PER COMMON SHARE				
Basic & Diluted	\$0.13	\$0.20	\$0.26	\$0.49

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

