



Letter to Shareholders

2nd Quarter

2023

June 30

To Our Shareholders, Customers, and Friends:

The Federal Reserve's continued actions to curb inflation have resulted in a rapid escalation in interest rates not seen in over 40 years and second only to 1980. The significant economic stimulus injected into our economy during the pandemic has led to inflationary pricing pressures on virtually every good and service throughout our economy. Nowhere is this more impactful than in the small communities we serve. Our small businesses have weathered a tight labor market with considerable additional cost, coupled with supply chain disruptions and significantly increased material expenses. Families are working to balance household budgets as they face higher costs on all day-to-day necessities. We remain committed to our customers just as we have for the past 65 plus years and will be here for our communities regardless of headwinds.

Deposit stability returned to the banking industry during the second quarter of 2023. The Bank's \$335 million or 51% deposit growth during the pandemic declined \$29.6 million or 3.7% during the second quarter of 2023, following the first quarter 2023 decline of \$154 million or 16%. Consistent with historical trends, our deposit base declined with April tax payments and has experienced modest growth through the remainder of the quarter.

Select Q2 2023 Highlights:

- Net income of \$1.21 million decreased \$255 thousand or 17.5% from 2022's \$1.46 million.
- Total assets of \$1.03 billion increased \$88.7 million during the current quarter.
- Net loans of \$392.8 million increased 4.5% or 17.9% annualized during the current quarter.
- Cost of funds for the current quarter of 0.79% increased 67 basis points from the prior quarter's 0.12% and increased 74 basis points from the prior year second quarter cost of funds of 0.05%.
- The Bank has advances on its borrowing facilities with the Federal Reserve's Bank Term Funding Program, net of interest-bearing deposits in banks, of \$29 million at June 30, 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.

Select First Half 2023 Highlights:

- Net income of \$2.97 million increased \$52 thousand or 1.8% from 2022's \$2.92 million.
- Income before taxes and the provision for credit losses of \$4.19 million increased \$783 thousand or 23% from 2022's \$3.41 million.
- Total assets of \$1.03 billion decreased \$23.9 million or 2.3% during the first half of 2023.
- Net loans of \$392.8 million increased 5.3% or 10.6% annualized during the first half of 2023.
- The average yield on the loan portfolio was 5.61% at June 30, 2023, an increase of 52 basis points from the same period in 2022.
- Shareholders' equity of \$64.9 million increased \$6.3 million or 10.7% during the first six months of the current year.

We appreciate the continued support from our long-term and loyal shareholders. This institution is built on the simple promise of trust, doing the right thing for our shareholders, customers, and communities. It would not be possible without the continued dedication and commitment from our employees, who deliver on this promise each and every day.

Gordon Zimmerman
President/CEO

Eric Thompson
Chairman of the Board

CONSOLIDATED BALANCE SHEETS

Unaudited
(Dollars in thousands)

	At June 30,	
	2023	2022
ASSETS		
Cash and due from banks	\$ 18,129	\$ 15,681
Interest-bearing deposits in banks	131,380	105,349
Securities	426,813	522,645
Loans, net of allowance	392,762	357,200
Bank-owned life insurance	21,226	20,659
Accrued interest receivable	3,805	3,527
Other real estate owned	-	719
Premises and equipment, net	12,587	12,329
Other assets	24,546	22,104
Total assets	\$ 1,031,248	\$ 1,060,213
LIABILITIES		
Deposits	772,097	948,513
Repurchase agreements and other borrowings	183,325	40,484
Other liabilities	10,907	7,617
Total liabilities	966,329	996,614
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	45,725	45,339
Retained earnings	61,451	54,778
Accumulated other comprehensive loss	(44,191)	(38,452)
Total shareholders' equity	64,919	63,599
Total liabilities & shareholders' equity	\$ 1,031,248	\$ 1,060,213

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,		
	2023	2022	2021
Net Income	\$ 2,971	\$ 2,919	\$ 6,666
Total Assets	\$ 1,031,248	\$ 1,060,213	\$ 1,053,401
Total Net Loans	\$ 392,762	\$ 357,200	\$ 385,867
Total Deposits	\$ 772,097	\$ 948,513	\$ 893,831
Loan-to-Deposit Ratio	50.87%	37.66%	43.17%
Net Interest Margin	3.38%	2.65%	2.91%
Return on Assets	0.60%	0.55%	1.28%
Return on Equity	9.53%	9.01%	14.61%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited
(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
INTEREST INCOME				
Loans	\$ 5,508	\$ 4,383	\$ 10,509	\$ 8,753
Interest-bearing deposits in banks	1,207	220	2,083	266
Securities	2,355	2,253	4,832	4,292
Total interest income	9,070	6,856	17,424	13,311
INTEREST EXPENSE				
Deposits	409	101	582	200
Repurchase agreements and other borrowings	1,452	12	1,540	25
Total interest expense	1,861	113	2,122	225
Net interest income	7,209	6,743	15,302	13,086
Provision for credit losses	124	-	351	(450)
Net interest income after provision	7,085	6,743	14,951	13,536
NONINTEREST INCOME				
Service charges on deposit accounts	145	135	284	271
Debit and ATM interchange fee income, net	224	228	436	437
Other noninterest income	354	400	687	764
Total noninterest income	723	763	1,407	1,472
NONINTEREST EXPENSE				
Salaries and employee benefits	4,231	3,853	8,693	7,843
Occupancy and equipment	764	624	1,353	1,188
Data processing expense	254	237	506	399
Other noninterest expense	1,024	860	1,965	1,719
Total noninterest expense	6,273	5,574	12,517	11,149
Income before taxes	1,535	1,932	3,841	3,859
Provision for income taxes	329	471	870	940
Net income	\$ 1,206	\$ 1,461	\$ 2,971	\$ 2,919

BASIC EARNINGS PER COMMON SHARE

Basic	\$0.20	\$0.24	\$0.49	\$0.49
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SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

