

CITIZENS HOLDING COMPANY REPORTS EARNINGS

PHILADELPHIA, Miss.—(BUSINESS WIRE)—October 25, 2024--Citizens Holding Company (the “Company”) (OTCQX:CIZN) announced today results of operations for the three and nine months ended September 30, 2024.

(in thousands, except share and per share data)

Net income for the three months ended September 30, 2024 was \$318, or \$0.06 per share-basic and diluted, a linked-quarter decrease of (\$669), or (67.78%), from net income of \$987, or \$0.18, per share-basic and diluted, for the three months ended June 30, 2024. Net income also decreased (\$889), or (73.65%), from net income of \$1,207, or \$0.22, per share-basic and diluted for the same quarter in 2023.

Net income for the nine months ended September 30, 2024 was \$4,173, or \$0.74 per share-basic and diluted, an increase of \$1,526, or 57.65%, from net income of \$2,647, or \$0.47, per share-basic and diluted, for the same period in 2023.

Third Quarter Highlights

- Total loans held for investment (LHFI), as of September 30, 2024 totaled \$711,544, an increase of \$32,321, or 4.76%, compared to June 30, 2024, and an increase of 124,306 or 21.17%, compared to September 30, 2023.
- Net interest margin increased 12 basis points (“bps”) to 252 bps for the three months ended September 30, 2024 from 240 bps for the three months ended September 30, 2023.
- Total revenues, or interest and non-interest income, for the nine months ended September 30, 2024 totaled \$58,946, an increase of \$16,122, or 37.65%, from the same period in 2023. The increase in total revenue is primarily attributed to an increase of \$14,432, or 41.22%, in interest income attributed primarily to loan growth.
- Book value (“BV”) and tangible book value (“TBV”) at September 30, 2024 increased \$0.65, or 7.86%, and \$0.66, or 11.06%, respectively from June 30, 2024, and increased \$2.85, or 46.55% and \$2.87, or 76.94%, respectively from September 30, 2023.
- The Company executed a sale of a portion of its available-for-sale securities portfolio during the third quarter of 2024, and as a result the Company recognized a pre-tax loss of (\$988) and generated approximately \$28,000 in proceeds. Concurrently, with the loss trade, the Company purchased approximately \$26,000 in floating rate securities at a weighted-average yield of 6.40%, or approximately 100 bps spread to overnight fed funds. The net impact of these 2 transactions was a pre-tax income increase of approximately \$850 annually, or a 1.16 year earn-back, at the time of the transactions.

Chief Executive Officer (“CEO”) Commentary

Stacy Brantley, President and Chief Executive Officer, stated, “The Company’s dedicated team of bankers further demonstrated its ability to execute our strategic plan. This can be evidenced by strong loan growth and repositioning of the securities portfolio during the quarter. Loan growth totaling 4.76% during the quarter along with measured reduction and reinvestment of the securities portfolio aided by an executed sale of AFS securities has increased earning asset yields by 11bps or 2.27% over the prior quarter end and 87 bps or 21.32% over the quarter ended September 30, 2023. The Company’s solid loan pipeline entering the fourth quarter and anticipated cash flows from the investment securities portfolio position us well to further optimize our balance sheet.”

“Margin expansion stalled during the quarter, decreasing slightly to 2.52% from the prior quarter margin of 2.56% This was driven largely by repricing of municipal deposit accounts and an increase of funds in repurchase agreements carrying higher costs than the deposit portfolio as a whole. We anticipate margin expansion in the fourth quarter driven by the recent cuts to the Federal Funds rate as well as by loan growth which accelerated near the end of the quarter. Credit quality remains strong and well within established target ranges.”

“As we look to the future, we are excited to further leverage investments made in technology and continue seeking opportunities to improve efficiency. Key additions to our banking team have positioned the company for solid growth and improved profitability.”

Financial Condition and Results of Operations

Loans and Deposits

Total gross LHFI as of September 30, 2024 was \$711,544 compared to \$679,223 at June 30, 2024 and \$587,238 as of September 30, 2023.

Total deposits as of September 30, 2024 were \$1,092,738 compared to \$1,169,570 at June 30, 2024 and \$1,194,697 as of September 30, 2023. The decrease in deposits is due to the utilization of the reciprocal deposit network in which the company shifted approximately \$80,000 in deposits off-balance sheet.

Net Interest Income

Net interest income for the three months ended September 30, 2024 was \$8,757, an increase of \$140, or 1.62%, compared to \$8,617 for the three months ended June 30, 2024, and an increase of \$1,325, or 17.83%, compared to \$7,432 for the three months ended September 30, 2023. The net interest margin ("NIM") was 2.52% for the three months ended September 30, 2024 compared to 2.56% for the three months ended June 30, 2024 and 2.40% for the same period in 2023. The Company experienced slight NIM contraction for the three months ended September 30, 2024 compared to the linked quarter. This was driven primarily by the growth in securities sold under agreement to repurchase during the quarter ended September 30, 2024, partially offset by the decrease in interest bearing deposits during the same period.

The linked-quarter increase in net interest income is primarily a result of the increase in interest income of \$561, or 3.37%, partially offset by an increase in interest expense of \$421, or 5.23%, compared to the three months ended June 30, 2024. The increase from the same period ended September 30, 2023 is due to an increase in interest income of \$4,404, or 34.36%. This increase in interest income is partially offset by an increase in total interest expense of \$3,079, or 57.16%, when compared to the same period in 2023. This increase is the direct result of increased loan production partially offset by continued deposit competition.

Net interest income for the nine months ended September 30, 2024 increased \$2,823, or 12.53%, to \$25,347 from \$22,524 for the same period in 2023. The year-to-date NIM was 2.50% as of September 30, 2024 compared to 2.49% at both June 30, 2024 and the same period in 2023.

Net interest income for the nine months ended September 30, 2024 increased compared to the prior year due to interest income increasing \$14,432, or 41.22%. This increase is primarily the result of the large increase in loans along with repricing of loans and investment securities. This was partially offset by interest rate hikes in 2022 and 2023 causing increased and ongoing deposit competition.

Credit Quality

The Company's non-performing assets ("NPAs") increased by \$25, or 0.49%, to \$5,130 at September 30, 2024 compared to \$5,105 at June 30, 2024, and increased \$1,137, or 28.47%, compared to \$3,993 at September 30, 2023. The primary cause of the increase year-over-year was due to the increase in non-accrual loans of \$1,047, or 34.80%. The increase in non-accrual loans during the year is primarily related to one relationship in the amount of \$1,328.

Net losses (recoveries) were \$8 for the nine months ended September 30, 2024. Year-to-date net losses (recoveries) to average loans were 0.00% at September 30, 2024 compared to (0.03%) at September 30, 2023.

The provision for credit losses ("PCL") for the three months ended September 30, 2024 was \$0 compared to \$298 for the linked quarter and \$97 for the same period a year ago. The PCL was primarily driven by favorable quantitative adjustments related to the current economic outlook, GDP, and unemployment. Additionally, the Company has not observed material deterioration in local CRE valuations that some of the larger central business districts have experienced. The ACL to LHFI was 0.96% and 1.09% at September 30, 2024 and 2023, respectively, and 1.00% at June 30, 2024, representing a level management considers commensurate with the risk in the loan portfolio.

Liquidity and Capital

Given the events within the banking industry during 2023, investment securities portfolios, interest rate risk, liquidity and capital continue to be a focus for the Company's management team and Board, regulators and investors. As a result of this, the Company is providing additional information on our liquidity and capital position as of September 30, 2024 to disclose the more traditional and stable nature of the Company's banking model.

The Company currently has limited reliance on the wholesale funding market. The Company had \$-0- in overnight Federal Funds borrowings at September 30, 2024, June 30, 2024, and \$4,000 at September 30, 2023. The Company currently has capacity to borrow \$273,680 from the Federal Home Loan Bank of Dallas ("FHLB"), approximately \$150,000 in brokered deposit availability and \$50,000 in availability with our correspondent Fed Funds lines. Additionally, the Company could provide additional collateral to the FHLB to increase the capacity there, should that avenue be needed.

The Company and the Bank, remain in a strong capital position and well-capitalized. A comparison of the various regulatory ratios for the Company and the Bank are noted below:

	September 30, 2024	June 30, 2024	September 30, 2023
Citizens Holding Company			
Tier 1 leverage ratio	7.21%	7.16%	7.83%
Common Equity tier 1 capital ratio	7.21%	7.16%	7.83%
Tier 1 risk-based capital ratio	11.39%	11.70%	13.17%
Total risk-based capital ratio	12.18%	12.49%	13.97%
The Citizens Bank			
Tier 1 leverage ratio	8.24%	8.21%	9.08%
Common Equity tier 1 capital ratio	8.24%	8.21%	9.08%
Tier 1 risk-based capital ratio	12.91%	13.29%	15.16%
Total risk-based capital ratio	13.69%	14.08%	15.95%

Noninterest Income

Noninterest income decreased for the three months ended September 30, 2024, by (\$1,194), or (47.36%), compared to the three months ended June 30, 2024, and decreased by (\$1,862), or (58.39%), compared to the same period in 2023.

The decrease quarter-over-quarter is primarily due to net losses on sales of securities of (\$988) during the three months ended September 30, 2024.

Noninterest income increased for the nine months ended September 30, 2024, by \$1,690, or 21.63%, compared to the same period in 2023.

The increase year-over-year is primarily driven by a sale-leaseback transaction in the first quarter of 2024 resulting in a gain of \$4,535. However, the increase in noninterest income was partially offset by net losses on sales of securities of (\$2,562) during 2024.

Noninterest Expense

Noninterest expense increased for the three months ended September 30, 2024 by \$265, or 2.77%, compared to the three months ended June 30, 2024 and increased by \$766, or 8.45%, compared to the same period in 2023.

Noninterest expense increased for the nine months ended September 30, 2024 by \$2,285, or 8.52%, compared to the same period in 2023.

The increase year-over-year is primarily due to 2 factors, (1) an increase in salaries and employee benefits as a result of strategic production hires in key markets and (2) an increase in occupancy expense of \$1,351, or 23.97%, driven by increasing technology costs and an increase in rent due to the aforementioned sale-leaseback transaction.

Dividends

The Company paid aggregate cash dividends in the amount of \$2,705, or \$0.48 per share for the nine-month period ended September 30, 2024 compared to \$3,143, or \$0.56 per share, for the same period in 2023.

At \$0.16 per share, the Company's current quarterly dividend yield is approximately 7%, which reflects the Company's continued commitment to returning shareholder value.

Citizens Holding Company
Financial Highlights
(amounts in thousands, except share and per share data)

	For the Three Months Ended			For the Nine Months Ended	
	September 30, 2024	June 30 2024	September 30 2023	September 30, 2024	September 30, 2023
INTEREST INCOME					
Loans, including fees	\$ 12,090	\$ 11,160	\$ 8,503	\$ 33,697	\$ 23,356
Investment securities	3,439	3,014	3,275	9,498	9,978
Other interest	1,694	2,488	1,041	6,247	1,676
	17,223	16,662	12,819	49,442	35,010
INTEREST EXPENSE					
Deposits	5,214	5,239	3,481	15,714	7,751
Other borrowed funds	3,252	2,806	1,906	8,381	4,735
	8,466	8,045	5,387	24,095	12,486
NET INTEREST INCOME	8,757	8,617	7,432	25,347	22,524
PCL	-	298	97	490	562
NET INTEREST INCOME AFTER PCL	8,757	8,319	7,335	24,857	21,962
NONINTEREST INCOME					
Service charges on deposit accounts	1,040	944	994	2,941	2,798
Other service charges and fees	978	1,281	1,106	3,252	3,214
Net losses on sales of securities	(988)	-	-	(2,562)	-
Gain on disposition of asset	-	-	-	4,535	-
Other noninterest income	297	296	1,089	1,338	1,802
	1,327	2,521	3,189	9,504	7,814
NONINTEREST EXPENSE					
Salaries and employee benefits	5,042	4,936	4,656	14,863	14,060
Occupancy expense	1,857	2,805	1,935	6,987	5,636
Other noninterest expense	2,937	1,830	2,479	7,241	7,110
	9,836	9,571	9,070	29,091	26,806
NET INCOME BEFORE TAXES	248	1,269	1,454	5,270	2,970
INCOME TAX EXPENSE (BENEFIT)	(70)	282	247	1,097	323
NET INCOME	\$ 318	\$ 987	\$ 1,207	\$ 4,173	\$ 2,647
Earnings per share - basic	\$ 0.06	\$ 0.18	\$ 0.22	\$ 0.74	\$ 0.47
Earnings per share - diluted	\$ 0.06	\$ 0.18	\$ 0.22	\$ 0.74	\$ 0.47
Dividends paid	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.48	\$ 0.56
Average shares outstanding - basic	5,612,570	5,609,999	5,603,570	5,608,746	5,600,082
Average shares outstanding - diluted	5,612,570	5,609,999	5,603,570	5,609,099	5,600,090

	September 30, 2024	June 30, 2024			September 30, 2023		
	(Unaudited)	(Unaudited)	Change	% Change	(Unaudited)	Change	% Change
Assets							
Cash and due from banks	\$ 18,336	\$ 18,572	\$ (236)	-1.27%	\$ 14,061	\$ 4,275	30.40%
Interest bearing deposits with other banks	86,722	97,469	(10,747)	-11.03%	130,320	(43,598)	-33.45%
Cash and cash equivalents	105,058	116,041	(10,983)	-9.46%	144,381	(39,323)	-27.24%
Investment securities held-to-maturity, at amortized cost	374,633	379,347	(4,714)	-1.24%	392,133	(17,500)	-4.46%
Investment securities available-for-sale, at fair value	180,750	184,988	(4,238)	-2.29%	183,535	(2,785)	-1.52%
Loans held for investment (LHFI) (1)	711,544	679,223	32,321	4.76%	587,238	124,306	21.17%
Less allowance for credit losses (ACL), LHFI (1)	6,853	6,821	32	0.47%	6,390	463	7.24%
Net LHFI	704,691	672,402	32,289	4.80%	580,848	123,843	21.32%
Premises and equipment, net	20,217	20,370	(153)	-0.75%	27,353	(7,136)	-26.09%
Other real estate owned, net	967	1,234	(267)	-21.64%	974	(7)	-0.75%
Accrued interest receivable	4,902	5,487	(585)	-10.66%	4,712	190	4.03%
Cash surrender value of life insurance	26,753	26,610	142	0.53%	26,191	562	2.14%
Deferred tax assets, net	25,832	27,171	(1,339)	-4.93%	31,417	(5,585)	-17.78%
Identifiable intangible assets, net	13,249	13,277	(27)	-0.21%	13,359	(110)	-0.82%
Other assets	18,746	18,032	714	3.96%	9,107	9,639	105.84%
Total Assets	\$ 1,475,798	\$ 1,464,959	\$ 10,840	0.74%	\$ 1,414,010	\$ 61,788	4.37%
Liabilities and Shareholders' Equity							
Liabilities							
Deposits:							
Non-interest bearing deposits	\$ 252,309	\$ 259,848	\$ (7,539)	-2.90%	\$ 277,949	\$ (25,640)	-9.22%
Interest bearing deposits	840,429	909,722	(69,293)	-7.62%	916,748	(76,319)	-8.32%
Total deposits	1,092,738	1,169,570	(76,832)	-6.57%	1,194,697	(101,959)	-8.53%
Securities sold under agreement to repurchase	290,841	205,604	85,237	41.46%	151,089	139,752	92.50%
Borrowings on secured line of credit	15,500	18,000	(2,500)	-13.89%	18,000	(2,500)	-13.89%
Deferred compensation payable	9,655	9,746	(91)	-0.93%	10,120	(465)	-4.60%
Other liabilities	16,547	15,205	1,342	8.83%	5,759	10,788	187.32%
Total liabilities	1,425,281	1,418,125	7,156	0.50%	1,379,665	45,616	3.31%
Shareholders' Equity							
Common stock, \$0.20 par value, 22,500,000 shares authorized, Issued and outstanding: 5,637,061 shares - September 30, 2024; 5,616,438 shares - December 31, 2023	1,125	1,125	-	0.00%	1,123	2	0.17%
Additional paid-in capital	18,672	18,646	26	0.14%	18,554	118	0.64%
Accumulated other comprehensive loss, net of tax benefit of \$23,305 at September 30, 2024 and \$25,362 at December 31, 2023	(70,102)	(74,343)	4,241	-5.70%	(86,377)	16,275	-18.84%
Retained earnings	100,822	101,406	(584)	-0.58%	101,045	(223)	-0.22%
Total shareholders' equity	50,517	46,834	3,683	7.86%	34,345	16,172	47.09%
Total liabilities and shareholders' equity	\$ 1,475,798	\$ 1,464,959	\$ 10,840	0.74%	\$ 1,414,010	\$ 61,788	4.37%

SELECTED FINANCIAL INFORMATION

	September 30 2024 (Unaudited)	June 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Dollars in thousands, except per share data			
Per Share Data			
Basic Earnings per Common Share	\$ 0.06	\$ 0.18	\$ 0.22
Diluted Earnings per Common Share	0.06	0.18	0.22
Dividends per Common Share	0.16	0.16	0.16
BV per Common Share	8.96	8.31	6.12
BV per Common Share (ex OCI)	21.40	21.50	21.49
TBV per Common Share	6.61	5.95	3.74
TBV per Common Share (ex OCI)	19.05	19.14	19.12
Average Diluted Shares Outstanding	5,612,570	5,609,999	5,603,570
End of Period Common Shares Outstanding	5,637,061	5,637,061	5,616,438
Annualized Performance Ratios			
Return on Average Assets	0.09%	0.26%	0.26%
Return on Average Equity	2.66%	8.78%	8.91%
Equity/Assets	3.42%	3.20%	3.20%
Yield on Earning Assets	4.95%	4.84%	4.08%
Cost of Funds	2.94%	2.75%	2.10%
Net Interest Margin	2.52%	2.56%	2.40%
Credit Metrics			
Allowance for Loan Losses to Total Loans	0.96%	1.00%	1.09%
Non-performing assets to loans	0.73%	0.76%	0.59%

Citizens Holding Company is a one-bank holding company and the parent company of the Bank, both headquartered in Philadelphia, Mississippi. The Bank currently has locations in fourteen counties throughout the state of Mississippi. In addition to full service commercial banking, the Company offers mortgage loans, title insurance services through third party partnerships and a full range of Internet banking services including online banking, bill pay and cash management services for businesses. Internet services are available at the Bank web site, www.thecitizensbankphila.com. Citizens Holding Company stock is listed on the OTCQX Best Market and is traded under the symbol CIZN. The Company's transfer agent is American Stock Transfer & Trust Company. Investor relations information may be obtained at the corporate website, <https://www.thecitizensbankphila.com/investor-relations>.

Cautionary Note Regarding Forward-Looking Statements

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this release regarding the Company’s financial position, results of operations, business strategies, plans, objectives and expectations for future operations, are forward looking statements. The Company can give no assurances that the assumptions upon which such forward-looking statements are based will prove to have been correct. Forward-looking statements speak only as of the date they are made. The Company does not undertake a duty to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. The risks and uncertainties that may affect the operation, performance, development and results of the Company’s and the Bank’s business include, but are not limited to, the following: (a) the risk of adverse changes in business conditions in the banking industry generally and in the specific markets in which the Company operates; (b) our ability to mitigate our risk exposures; (c) changes in the legislative and regulatory environment that negatively impact the Company and Bank through increased operating expenses; (d) increased competition from other financial institutions; (e) the impact of technological advances; (f) expectations about the movement of interest rates, including actions that may be taken by the Federal Reserve Board in response to changing economic conditions; (g) changes in asset quality and loan demand; (h) expectations about overall economic strength and the performance of the economics in the Company’s market area; and (i) other risks detailed from time to time in the Company’s filings with the Securities and Exchange Commission. Should one or more of these risks materialize or should any such underlying assumptions prove to be significantly different, actual results may vary significantly from those anticipated, estimated, projected or expected.

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