

Letter to the Shareholders

1st Quarter

2025

March 31st

To Our Shareholders, Customers, and Friends:

Tariff impacts and the quest for quick resolution have replaced inflation concerns from 2024. The Federal Reserve has made significant progress on the reduction of inflation, with the Consumer Price Index averaging 2.69% since July of 2024 and the March 2025 index at 2.4%. Proposed tariff levels remain volatile, leaving our customers and communities with questions on the stability of our economy. A quick resolution to these tariff negotiations may lead to a return of confidence and continued growth.

While our earnings remain impacted by the rapid increase in interest rates by the Federal Reserve beginning in March of 2022, our balance sheet continues to reprice to this significant shift in interest rates. Our capital growth remains strong, loan quality is solid and our balance sheet has significant liquidity to fund future growth. We remain committed to our conservative community bank fundamentals which provide safety, security and confidence in Citizens Bank.

Select Q1 2025 Highlights:

- Net income of \$517 thousand decreased 32.3% or \$247 thousand from the prior year's \$764 thousand. This change was largely related to scheduled investment payments and maturities as well as reductions in loan totals, but was offset from growth in net interest income on cash balances.
- Total loans decreased 6.9% or \$27.8 million during the last twelve months, due to unscheduled payoff of several loans due to sale of the underlying collateral as well as reductions in credit line use.
- The average yield on the loan portfolio was 5.80% as of March 31, 2025, an increase of 5 basis points from the same period in 2024. New loans booked in Q1 2025 have an average yield of 7.7%.
- Credit quality continues to be strong, with reserves against future credit losses stable at 1.59% of total loans at quarter end and no material net losses realized.
- Total securities decreased 14.0% or \$52.4 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 4.6% or \$33.7 million year-over-year, as customers invested excess funds in higher yield investment opportunities.
- Total cost-of-funds was 0.42% as of March 31, 2025, decreasing from 1.28% in the same period in 2024. This decrease was directly related to repayment of all Bank Term Funding Program (BTFFP) advances during 2024. While our cost of funds was elevated due to these advances, the Bank realized positive net interest income for all BTFFP advances during term of the program.
- Tangible equity increased to 9.93%, and total risk-based capital increased to 23.4% at March 31, 2025 due to the Bank's continued low risk and highly liquid balance sheet.

While 2025 will continue to present economic challenges from tariff and inflationary pressures, 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,	
	2025	2024
ASSETS		
Cash and due from banks	\$ 16,787	\$ 14,790
Interest-bearing deposits in banks	33,323	250,615
Securities	320,906	373,267
Loans	372,892	400,664
Allowance	(5,927)	(5,862)
Loans, net of allowance	366,965	394,802
Bank-owned life insurance	22,233	21,631
Accrued interest receivable	3,806	4,517
Deferred tax assets, net	16,109	17,705
Premises and equipment, net	14,059	14,005
Other assets	4,326	4,158
Total assets	\$ 798,514	\$ 1,095,490
LIABILITIES		
Deposits	692,405	726,076
Repurchase agreements	16,387	24,561
Other borrowings	-	260,000
Other liabilities	10,412	15,464
Total liabilities	719,204	1,026,101
SHAREHOLDERS' EQUITY		
Series A Preferred stock	1,934	1,934
Common stock	45,539	45,500
Retained earnings	64,162	63,016
Accumulated other comprehensive loss	(32,325)	(41,061)
Total shareholders' equity	79,310	69,389
Total liabilities & shareholders' equity	\$ 798,514	\$ 1,095,490

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,		
	2025	2024	2023
Net Income	\$ 517	\$ 764	\$ 1,766
Total Assets	\$ 798,514	\$ 1,095,490	\$ 942,576
Total Net Loans	\$ 366,965	\$ 394,802	\$ 375,959
Total Deposits	\$ 692,405	\$ 726,076	\$ 801,680
Loan-to-Deposit Ratio	53.00%	54.37%	46.90%
Net Interest Margin	3.72%	3.05%	3.62%
Return on Assets	0.26%	0.30%	0.72%
Return on Equity	2.85%	4.46%	11.60%

CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2025	2024
INTEREST INCOME		
Loans	\$ 5,358	\$ 5,750
Interest-bearing deposits in banks	358	2,376
Securities	1,665	2,062
Total interest income	7,381	10,188
INTEREST EXPENSE		
Deposits	712	732
Repurchase agreements	38	50
Other borrowings	-	2,225
Total interest expense	750	3,007
Net interest income	6,631	7,181
Provision for credit losses	33	390
Net interest income after provision	6,598	6,791
NONINTEREST INCOME		
Service charges on deposit accounts	134	143
Debit and ATM interchange fee income, net	179	198
Other noninterest income	316	316
Total noninterest income	629	657
NONINTEREST EXPENSE		
Salaries and employee benefits	4,737	4,676
Occupancy and equipment	495	416
Data processing expense	308	256
Other noninterest expense	1,087	1,165
Total noninterest expense	6,627	6,513
Income before taxes	600	935
Provision for income taxes	83	171
Net income	\$ 517	\$ 764
EARNINGS PER COMMON SHARE		
Basic & Diluted	\$0.09	\$0.13

SHAREHOLDER INFORMATION

Shareholder Relations:

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Visit us online at: www.citizensEbank.com

