

## CITIZENS HOLDING COMPANY REPORTS EARNINGS

PHILADELPHIA, Miss.—(BUSINESS WIRE)—July 19, 2024--Citizens Holding Company (the “Company”) (OTCQX:CIZN) announced today results of operations for the three and six months ended June 30, 2024.

*(in thousands, except share and per share data)*

Net income for the three months ended June 30, 2024 was \$987, or \$0.18 per share-basic and diluted, a linked-quarter decrease of (\$1,881), or (65.59%), from net income of \$2,868, or \$0.51, per share-basic and diluted, for the three months ended March 31, 2024. Net income also increased \$687, or 228.93%, from net income of \$300, or \$0.05, per share-basic and diluted for the same quarter in 2023.

Net income for the six months ended June 30, 2024 was \$3,855, or \$0.69 per share-basic and diluted, an increase of \$2,415, or 167.73%, from net income of \$1,440, or \$0.26, per share-basic and diluted, for the same period in 2023.

### Second Quarter Highlights

- Total net loans held for investment (LHFI), as of June 30, 2024 totaled \$672,402, an increase of \$11,655, or 1.76%, compared to March 31, 2024, and an increase of 104,065, or 18.31%, compared to June 30, 2023.
- Net interest margin increased 16 basis points (“bps”) to 256 bps for the three months ended June 30, 2024 from 240 bps for the three months ended March 31, 2024.
- Total revenues, or interest and non-interest income, for the six months ended June 30, 2023 totaled \$40,395, an increase of \$13,578, or 50.63%, from the same period in 2023. The increase in total revenue is primarily attributed to an increase of \$9,845, or 44.36% in interest income attributed to loan growth and rising interest rates.
- Book value (“BV”) and tangible book value (“TBV”) at June 30, 2024 increased \$0.19, or 2.30%, and \$0.20, or 3.46%, respectively from March 31, 2024, and increased \$1.16, or 16.23% and \$1.19, or 25.00%, respectively from June 30, 2023.

### Chief Executive Officer (“CEO”) Commentary

Stacy Brantley, President and Chief Executive Officer of the Company, stated, “Our focus remains on the things we can control, and we are working diligently to achieve strategic goals. I’m happy to report the Bank achieved its second consecutive quarter of net interest margin (NIM) expansion. The Bank’s NIM expanded to 256 bps, up 16 bps over the trailing quarter end and 21 bps over the quarter ended December 31, 2023.

“Margin expansion continues to be driven by The Company’s solid loan growth and repositioning of the balance sheet. The Bank realized loan growth in the second quarter of 1.76% and 18.31% over the prior year quarter ended June 30, 2023. Our loan pipelines are strong as we close out the second quarter, and I expect continued loan growth in line with our strategic plan in the third quarter. Supporting strong production, our focus on strong underwriting has produced solid credit quality metrics well within our established targets.

“Additionally, we invested in AFS securities and executed a swap of \$15 million of our securities book from fixed to floating with the primary goal of protecting capital and hedging rising interest rates. We will continue to seek opportunities to buffer our balance sheet, minimize interest rate sensitivity, and support organic growth.”

### Financial Condition and Results of Operations

#### Loans and Deposits

Total LHFI as of June 30, 2024 totaled \$679,223 compared to \$667,416 at March 31, 2024 and \$574,734 as of June 30, 2023.

Total deposits as of June 30, 2024 were \$1,169,570 compared to \$1,210,600 at March 31, 2024 and \$1,103,072 as of June 30, 2023. With the pressure throughout the banking system in regards to deposits, the Company has not experienced material outflows in deposits, but continues to see a shift from noninterest bearing deposits to interest bearing deposits.

## Net Interest Income

Net interest income for the three months ended June 30, 2024 was \$8,617, an increase of \$827, or 10.62%, compared to \$7,790 for the three months ended March 31, 2024, and an increase of \$1,202, or 16.20%, compared to \$7,415 for the three months ended June 30, 2023. The net interest margin (“NIM”) was 2.56% for the three months ended June 30, 2024 compared to 2.40% for the three months ended March 31, 2024 and 2.55% for the same period in 2023. Management expects continued pressure on cost of funds given the current interest rate environment, however, the Company has seen NIM expand for three consecutive quarters.

The linked-quarter increase in net interest income is primarily a result of the increase in interest income of \$1,288, or 8.38%, partially offset by an increase in interest expense of \$461, or 6.08%, compared to the three months ended March 31, 2024. The increase from the same period ended June 30, 2023 is due to an increase in interest income of \$5,503, or 49.32%. This increase in interest income is partially offset by an increase in total interest expense of \$4,301, or 114.87%, when compared to the same period in 2023. This increase is the direct result of increased loan production partially offset by increased deposit competition primarily caused by higher short-term rates.

Net interest income for the six months ended June 30, 2024 increased \$1,314, or 8.71%, to \$16,407 from \$15,093 for the same period in 2023. The year-to-date NIM was 2.49% as of June 30, 2024 compared to 2.40% at March 31, 2024 and 2.54% for the same period in 2023.

Net interest income for the six months ended June 30, 2024 increased compared to the prior year due to interest income increasing \$9,845, or 44.36%. This increase is primarily the result of the large increase in loans along with repricing of loans and investment securities. This was partially offset interest rate hikes in 2022 and 2023 causing increased and ongoing deposit competition. Management expects continued pressure on cost of funds given the current interest rate environment.

## Credit Quality

The Company’s NPAs increased by \$1,543, or 43.32%, to \$5,105 at June 30, 2024 compared to \$3,562 at March 31, 2024, and increased \$940, or 22.56%, compared to \$4,165 at June 30, 2023. The primary cause of the increase year-over-year was due the increase in non-accrual loans of \$836, or 27.90%. The increase in non-accrual loans during the quarter is primarily related to one relationship in the amount of \$1,328.

Net losses (recoveries) were \$40 for the six months ended June 30, 2024. Year-to-date net losses to average loans were 0.00% at June 30, 2024 compared to (0.01%) at June 30, 2023.

The provision for credit losses (“PCL”) for the three months ended June 30, 2024 was \$298 compared to \$192 for the linked quarter and \$459 for the same period a year ago. The PCL was primarily driven by loan growth partially offset by favorable qualitative factor adjustments due to better than expected GDP growth and better than expected 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 1.00% and 1.11% at June 30, 2024 and 2023, respectively, and 1.00% at March 31, 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 have become much more of 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 June 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 June 30, 2024, March 31, 2024, and \$4,000 at June 30, 2023. The Company currently has capacity to borrow \$309,311 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:

	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>June 30, 2023</b>
<b>Citizens Holding Company</b>			
Tier 1 leverage ratio	7.16%	7.31%	8.17%
Common Equity tier 1 capital ratio	7.16%	7.31%	8.17%
Tier 1 risk-based capital ratio	11.70%	11.87%	13.40%
Total risk-based capital ratio	12.49%	12.65%	14.28%
<b>The Citizens Bank</b>			
Tier 1 leverage ratio	8.21%	8.37%	9.48%
Common Equity tier 1 capital ratio	8.21%	8.37%	9.48%
Tier 1 risk-based capital ratio	13.29%	13.48%	15.53%
Total risk-based capital ratio	14.08%	14.25%	16.30%

### **Noninterest Income**

Noninterest income decreased for the three months ended June 30, 2024, by (\$3,317), or (56.82%), compared to the three months ended March 31, 2024, and increased by \$258, or 11.42%, compared to the same period in 2023.

The decrease quarter-over-quarter is primarily due to other noninterest income decreasing (\$4,984), or (94.39%), driven by a one-time gain on the sale-leaseback transaction of three locations of \$4,535 during the prior quarter.

Noninterest income increased for the six months ended June 30, 2024, by \$3,734, or 80.71%, compared to the same period in 2023.

The increase year-over-year is primarily due to other noninterest income increasing \$4,863, or 682.03%, driven by the aforementioned sale-leaseback transaction.

### **Noninterest Expense**

Noninterest expense decreased for the three months ended June 30, 2024 by (\$113), or (1.17%), compared to the three months ended March 31, 2024 and increased by \$574, or 6.38%, compared to the same period in 2023.

Noninterest expense increased for the six months ended June 30, 2024 by \$1,517, or 8.55%, 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 several strategic production hires in key markets and (2) an increase in occupancy expense of \$1,429, or 38.61%, 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 \$1,803, or \$0.32 per share six-month period ended June 30, 2024 compared to \$2,244, or \$0.40 per share, for the same period in 2023.

At \$0.16 per share, the Company's current quarterly dividend yield is approximately 8% 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 Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>INTEREST INCOME</b>					
Loans, including fees	\$ 11,160	\$ 10,264	\$ 7,529	\$ 21,424	\$ 14,852
Investment securities	3,014	3,045	3,334	6,059	6,704
Other interest	2,488	2,065	296	4,553	635
	<u>16,662</u>	<u>15,374</u>	<u>11,159</u>	<u>32,036</u>	<u>22,191</u>
<b>INTEREST EXPENSE</b>					
Deposits	5,239	5,261	2,450	10,500	4,270
Other borrowed funds	2,806	2,323	1,294	5,129	2,828
	<u>8,045</u>	<u>7,584</u>	<u>3,744</u>	<u>15,629</u>	<u>7,098</u>
<b>NET INTEREST INCOME</b>	<b>8,617</b>	<b>7,790</b>	<b>7,415</b>	<b>16,407</b>	<b>15,093</b>
<b>PCL</b>	<b>298</b>	<b>192</b>	<b>459</b>	<b>490</b>	<b>465</b>
<b>NET INTEREST INCOME AFTER PCL</b>	<b>8,319</b>	<b>7,598</b>	<b>6,956</b>	<b>15,917</b>	<b>14,628</b>
<b>NONINTEREST INCOME</b>					
Service charges on deposit accounts	944	957	890	1,901	1,804
Other service charges and fees	1,281	1,176	1,072	2,457	2,109
Net (losses) gains on sales of securities	-	(1,574)	-	(1,574)	-
Other noninterest income	296	5,280	301	5,576	713
	<u>2,521</u>	<u>5,839</u>	<u>2,263</u>	<u>8,360</u>	<u>4,626</u>
<b>NONINTEREST EXPENSE</b>					
Salaries and employee benefits	4,936	4,885	4,710	9,821	9,405
Occupancy expense	2,805	2,325	1,856	5,130	3,701
Other noninterest expense	1,830	2,474	2,431	4,304	4,632
	<u>9,571</u>	<u>9,684</u>	<u>8,997</u>	<u>19,255</u>	<u>17,738</u>
<b>NET INCOME BEFORE TAXES</b>	<b>1,269</b>	<b>3,753</b>	<b>222</b>	<b>5,022</b>	<b>1,516</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>282</b>	<b>885</b>	<b>(78)</b>	<b>1,167</b>	<b>76</b>
<b>NET INCOME</b>	<b>\$ 987</b>	<b>\$ 2,868</b>	<b>\$ 300</b>	<b>\$ 3,855</b>	<b>\$ 1,440</b>
<b>Earnings per share - basic</b>	<b>\$ 0.18</b>	<b>\$ 0.51</b>	<b>\$ 0.05</b>	<b>\$ 0.69</b>	<b>\$ 0.26</b>
<b>Earnings per share - diluted</b>	<b>\$ 0.18</b>	<b>\$ 0.51</b>	<b>\$ 0.05</b>	<b>\$ 0.69</b>	<b>\$ 0.26</b>
<b>Dividends paid</b>	<b>\$ 0.16</b>	<b>\$ 0.16</b>	<b>\$ 0.16</b>	<b>\$ 0.32</b>	<b>\$ 0.40</b>
<b>Average shares outstanding - basic</b>	<b>5,609,999</b>	<b>5,603,570</b>	<b>5,601,213</b>	<b>5,609,999</b>	<b>5,598,299</b>
<b>Average shares outstanding - diluted</b>	<b>5,609,999</b>	<b>5,603,570</b>	<b>5,601,213</b>	<b>5,609,999</b>	<b>5,598,501</b>

	June 30, 2024	March 31, 2024	Change	% Change	June 30, 2023	Change	% Change
	(Unaudited)	(Unaudited)			(Unaudited)		
<b>Assets</b>							
Cash and due from banks	\$ 18,572	\$ 16,868	\$ 1,704	10.10%	\$ 17,086	\$ 1,486	8.70%
Interest bearing deposits with other banks	97,469	145,924	(48,455)	-33.21%	862	96,607	11207.29%
Cash and cash equivalents	116,041	162,792	(46,751)	-28.72%	17,948	98,093	546.54%
Investment securities held-to-maturity, at amortized cost	379,347	384,015	(4,668)	-1.22%	396,931	(17,584)	-4.43%
Investment securities available-for-sale, at fair value	184,988	152,553	32,435	21.26%	196,866	(11,878)	-6.03%
Loans held for investment (LHFI) (1)	679,223	667,416	11,808	1.77%	574,734	104,489	18.18%
Less allowance for credit losses (ACL), LHFI (1)	6,821	6,668	153	2.29%	6,397	424	6.63%
Net LHFI	672,402	660,748	11,655	1.76%	568,337	104,065	18.31%
Premises and equipment, net	20,370	20,530	(160)	-0.78%	27,381	(7,011)	-25.61%
Other real estate owned, net	1,234	1,234	-	0.00%	1,009	225	22.26%
Accrued interest receivable	5,487	4,784	703	14.70%	4,766	721	15.12%
Cash surrender value of life insurance	26,610	26,438	172	0.65%	26,062	548	2.10%
Deferred tax assets, net	27,171	27,533	(363)	-1.32%	29,346	(2,175)	-7.41%
Identifiable intangible assets, net	13,277	13,304	(27)	-0.21%	13,386	(109)	-0.82%
Other assets	18,032	19,592	(1,560)	-7.96%	7,307	10,725	146.78%
<b>Total Assets</b>	<b>\$ 1,464,959</b>	<b>\$ 1,473,523</b>	<b>\$ (8,564)</b>	<b>-0.58%</b>	<b>\$ 1,289,339</b>	<b>\$ 175,620</b>	<b>13.62%</b>
<b>Liabilities and Shareholders' Equity</b>							
<b>Liabilities</b>							
Deposits:							
Non-interest bearing deposits	\$ 259,848	\$ 263,006	\$ (3,159)	-1.20%	\$ 281,812	\$ (21,964)	-7.79%
Interest bearing deposits	909,722	947,594	(37,871)	-4.00%	821,260	88,462	10.77%
<b>Total deposits</b>	<b>1,169,570</b>	<b>1,210,600</b>	<b>(41,030)</b>	<b>-3.39%</b>	<b>1,103,072</b>	<b>66,498</b>	<b>6.03%</b>
Securities sold under agreement to repurchase	205,604	173,254	32,349	18.67%	109,526	96,078	87.72%
Short-term borrowings	-	-	-	0.00%	4,000	(4,000)	0.00%
Borrowings on secured line of credit	18,000	18,000	-	0.00%	18,000	-	0.00%
Deferred compensation payable	9,746	9,841	(95)	-0.97%	10,104	(358)	-3.55%
Other liabilities	15,205	16,135	(930)	-5.76%	4,496	10,709	238.19%
<b>Total liabilities</b>	<b>1,418,125</b>	<b>1,427,830</b>	<b>(9,706)</b>	<b>-0.68%</b>	<b>1,249,198</b>	<b>168,927</b>	<b>13.52%</b>
<b>Shareholders' Equity</b>							
Common stock, \$0.20 par value, 22,500,000 shares authorized, Issued and outstanding: 5,637,061 shares - June 30, 2024; 5,616,438 shares - December 31, 2023							
	1,125	1,123	-	0.00%	1,123	2	0.17%
Additional paid-in capital	18,646	18,618	28	0.15%	18,519	127	0.69%
Accumulated other comprehensive loss, net of tax benefit of \$24,715 at June 30, 2024 and \$25,362 at December 31, 2023	(74,343)	(75,369)	1,026	-1.36%	(80,238)	5,895	-7.35%
Retained earnings	101,406	101,321	85	0.08%	100,737	669	0.66%
<b>Total shareholders' equity</b>	<b>46,834</b>	<b>45,693</b>	<b>1,141</b>	<b>2.50%</b>	<b>40,141</b>	<b>6,693</b>	<b>16.67%</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,464,959</b>	<b>\$ 1,473,523</b>	<b>\$ (8,564)</b>	<b>-0.58%</b>	<b>\$ 1,289,339</b>	<b>\$ 175,620</b>	<b>13.62%</b>

SELECTED FINANCIAL INFORMATION

Dollars in thousands, except per share data	June 30, 2024 (Unaudited)	March 31, 2024 (Unaudited)	June 30, 2023 (Unaudited)
<b>Per Share Data</b>			
Basic Earnings per Common Share	\$ 0.18	\$ 0.51	\$ 0.05
Diluted Earnings per Common Share	0.18	0.51	0.05
Dividends per Common Share	0.16	0.16	0.16
BV per Common Share	8.31	8.12	7.15
BV per Common Share (ex OCI)	21.50	21.51	21.43
TBV per Common Share	5.95	5.75	4.76
TBV per Common Share (ex OCI)	19.14	19.14	19.05
Average Diluted Shares Outstanding	5,609,999	5,603,570	5,601,213
End of Period Common Shares Outstanding	5,637,061	5,628,811	5,616,438
<b>Annualized Performance Ratios</b>			
Return on Average Assets	0.26%	0.78%	0.22%
Return on Average Equity	8.78%	18.79%	7.26%
Equity/Assets	3.20%	3.10%	3.10%
Yield on Earning Assets	4.84%	4.61%	3.71%
Cost of Funds	2.75%	2.66%	1.47%
Net Interest Margin	2.56%	2.40%	2.55%
<b>Credit Metrics</b>			
Allowance for Loan Losses to Total Loans	1.00%	1.00%	1.11%
Non-performing assets to loans	0.76%	0.54%	0.62%

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](http://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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