



Annual Report

2024

OUR MISSION

Building customer relationships to maximize shareholder value.

Annual disclosure statements, as required, but not reviewed or confirmed for accuracy or relevance by the Federal Deposit Insurance Corporation, are available upon request at any branch office or by writing Citizens Bank, 33 North Indiana Street, Mooresville, IN 46158 or calling 317-831-0110. Your first copy of the annual disclosure statements will be provided without charge.

To our Shareholders:

Completion of the asset reallocation plan occurred at the end of 2024 with the plan goals being substantially achieved. Mortgage Loans exceeded the initial plan estimate, consumer loans shrank less than called for in the plan, and commercial loans experienced growth slightly below plan estimates. Going forward we are budgeting the continued growth of mortgage and commercial loans portfolios with consumer loans maintaining at current balance levels or experiencing modest growth.

During 2024 we initiated several cost reduction efforts including the closure of the East Morgan Street Branch located in Martinsville, Indiana on December 6th. As written in the previous quarterly shareholder letters, the proximity of this branch to our location on Morton Avenue limited the impact of this event to our customers. The closure allowed the Company to lower its employee count and other related expenses without diminishing customer service. In early 2025 we executed a contract to sell the real estate with an anticipated closing date during the first quarter of the year.

In the fourth quarter of the year, we completed a change in the way we handle debit card interchange that increases the revenue and reduces the cost per transaction. Additionally, our debit card contract matured, allowing us to negotiate a renewal that is more advantageous for the Company. We engaged an outside party to assist in these changes that resulted in one-time charges of \$651,000 that was recognized in December 2024. We forecast that the cost will be recovered by the end of the first quarter of 2025 resulting in improved income for many years to come.

In the second half of 2024 we experienced a gradual improvement in our Net Interest Margin (NIM) as we adjusted to the higher rate environment. In the fourth quarter the Federal Reserve (Fed) lowered their rates by 100 basis points that assisted us in further lowering our cost of deposits. As we continue to monitor economic data, we do not anticipate the continued aggressive rate reductions by the Fed during 2025, but we do believe the rate environment will allow us the opportunity to continue to improve our NIM during the year.

Throughout 2024 we continued to experience strong loan performance metrics in all areas but noted signs of financial strain on some borrowers. Our past dues, downgrades and charge-offs continue to remain at historic lows.

We continue to progress in developing our branch network to transform them from an operational focus to a fuller service approach that provides a higher growth potential. This is a long-term plan that includes changes in staff configurations and training requirements that has started to yield improved performance.

The upgrade of our drive-through facilities to Interactive Teller Machines (ITM) continues. As a reminder from past letters, our ITM's are manned by our Customer

Care Center located in Mooresville, Indiana at our Main Office. This improves the efficiency of the Bank and allows for a more consistent customer experience. While we are using a centralized bank personnel approach, the technology allows the in-branch employees to also handle the transactions by video if needed. We have ITM's in operation at our Stones Crossing, Avon, Plainfield, Morton and Monrovia branches and anticipate updating our remaining branches throughout 2025.

In the fourth quarter we began a significant remodel of our Monrovia Branch that is scheduled to be completed during the first quarter of 2025. We continue to develop plans for additional remodels at our other locations during 2025.

In 2024 we maintained a level dividend of 21¢ per share for all four dividend payments. Given the uncertainty of the economic environment and the payout percentage of net income we believed this was the most prudent path for us.

Enclosed is Citizens' Annual Report listing comparable figures for 2023 and 2024. The statements presented contain consolidated results for CITBA Financial Corporation and its wholly owned subsidiary, Citizens Bank, Mooresville.

Net income in 2024 was \$3.7 million, which is a decrease of \$1.8 million compared to net income of \$5.5 million in 2023. The decrease in income was a result of a decrease in net interest income and increase in non-interest expense. Net interest income decreased \$966,000 or 4.8%, from 2023 as increases in asset yields were outpaced by increases in cost of funds. Non-interest expense increased \$1.4 million, or 7.7%, due to an increase in salaries and employee benefits, premises and equipment expense and other expenses which includes to charges related to the debit card project previously mentioned.

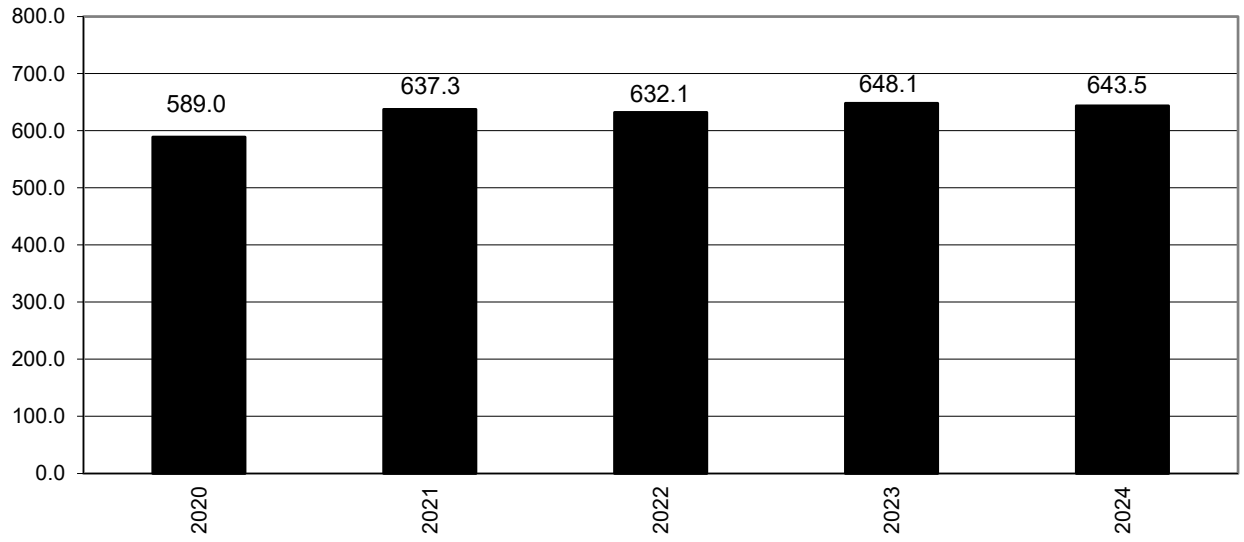
Total assets declined 0.7%, ending the year at \$643.5 million, and total deposits declined 0.8%, ending the year at \$583.5 million. Total loans, net of the allowance for credit losses, increased 4.5% ending at \$428.6 million.

We continue to face many challenges including an elevated interest rate environment that is anticipated to remain higher throughout 2025 than recent historical norms. We remain vigilant in looking for opportunities to improve both our operational and financial performance.

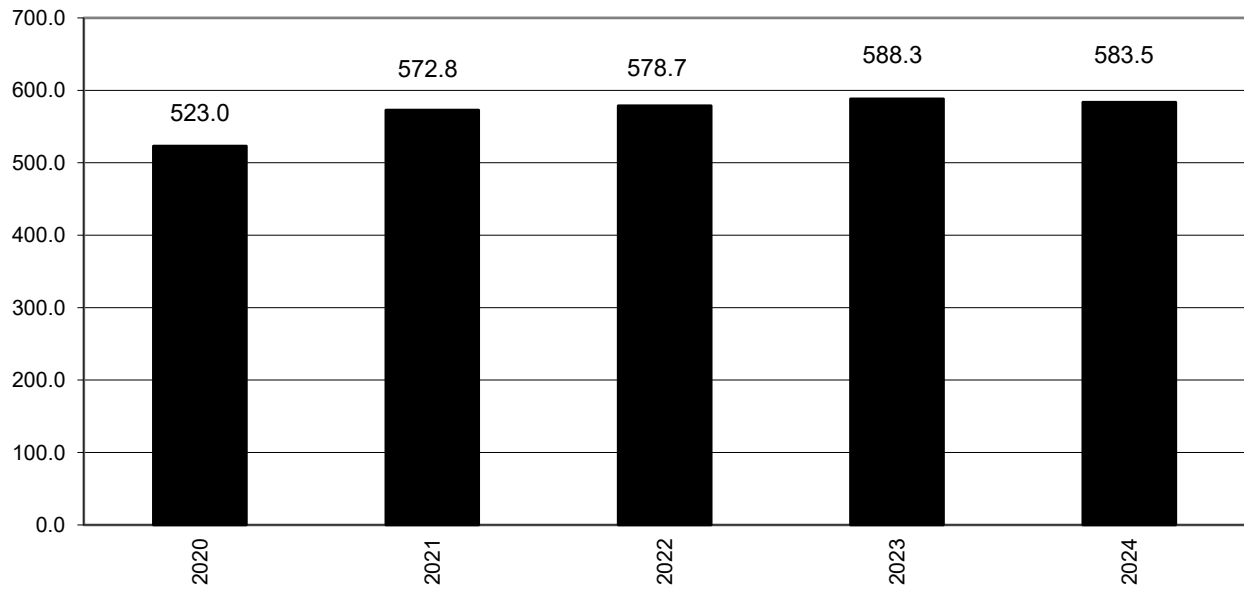
Keith Lindauer
CEO/President

Chris Branson
Chairman of the Board

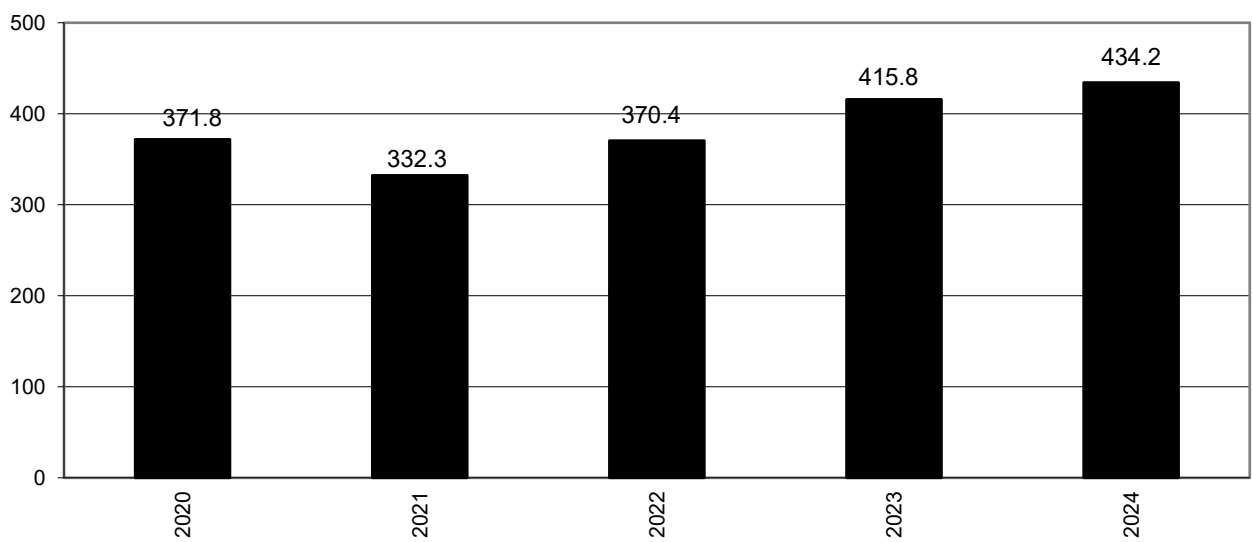
Assets (In Millions)



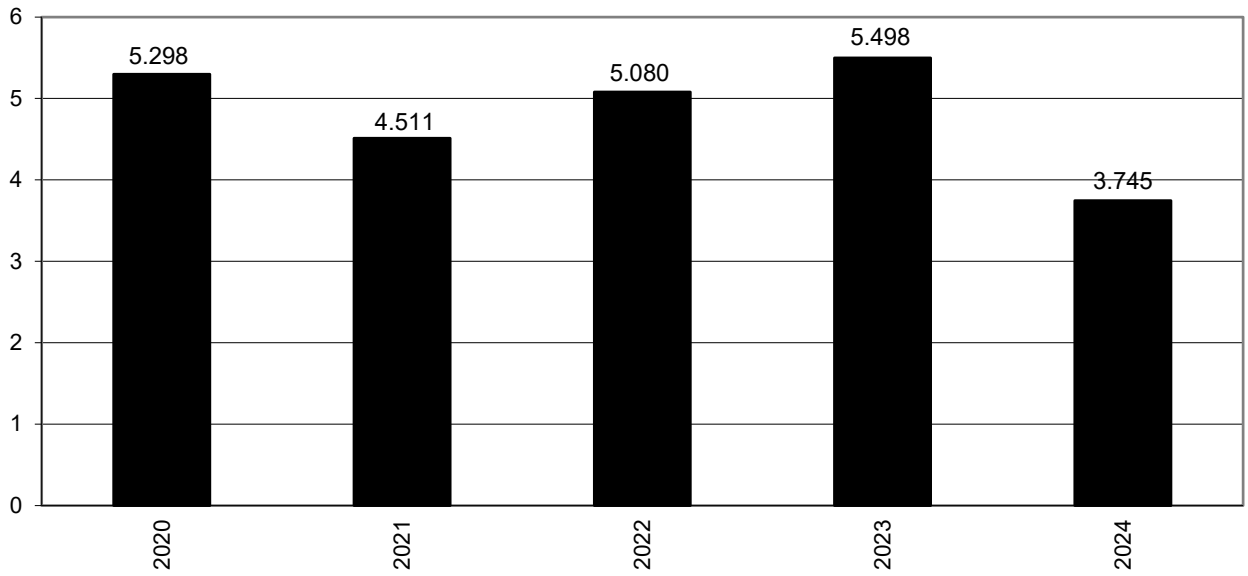
Deposits (In Millions)



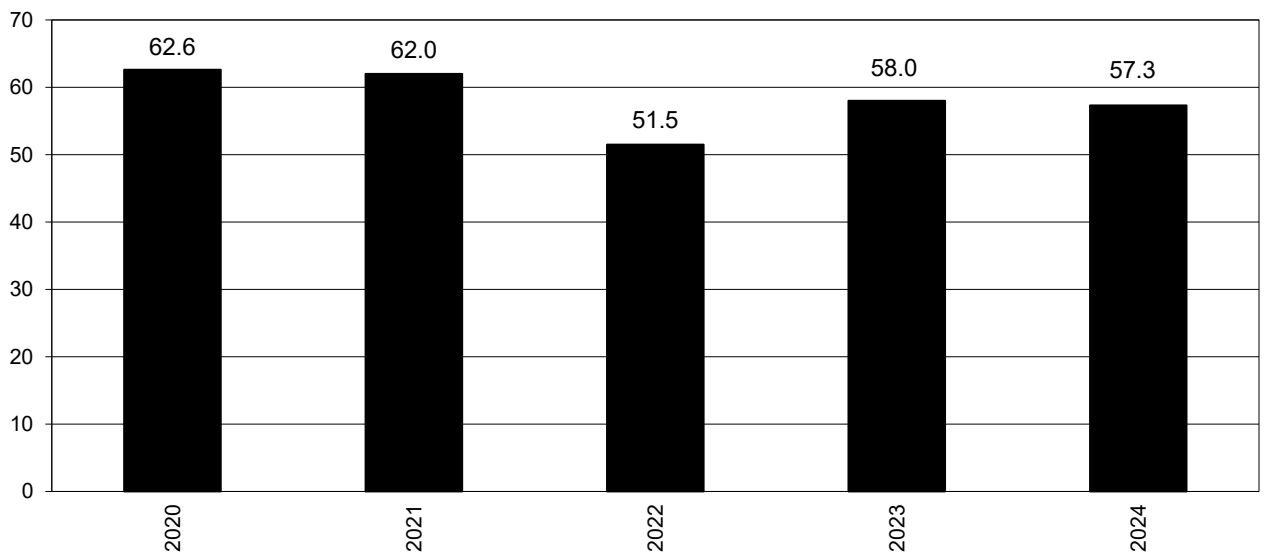
Loans (In Millions)



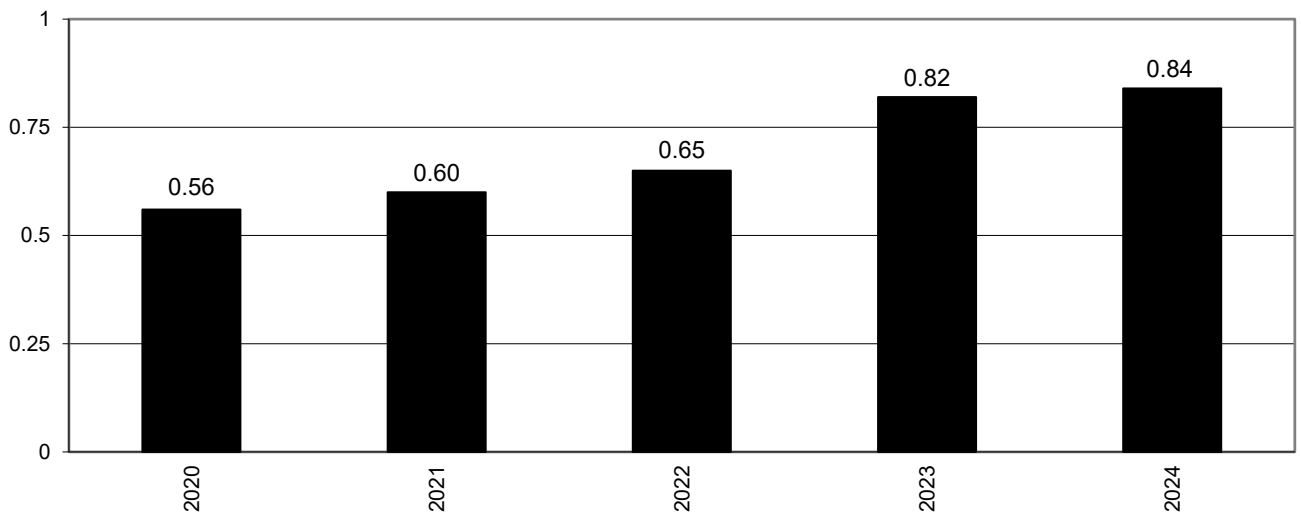
Net Income (In Millions)



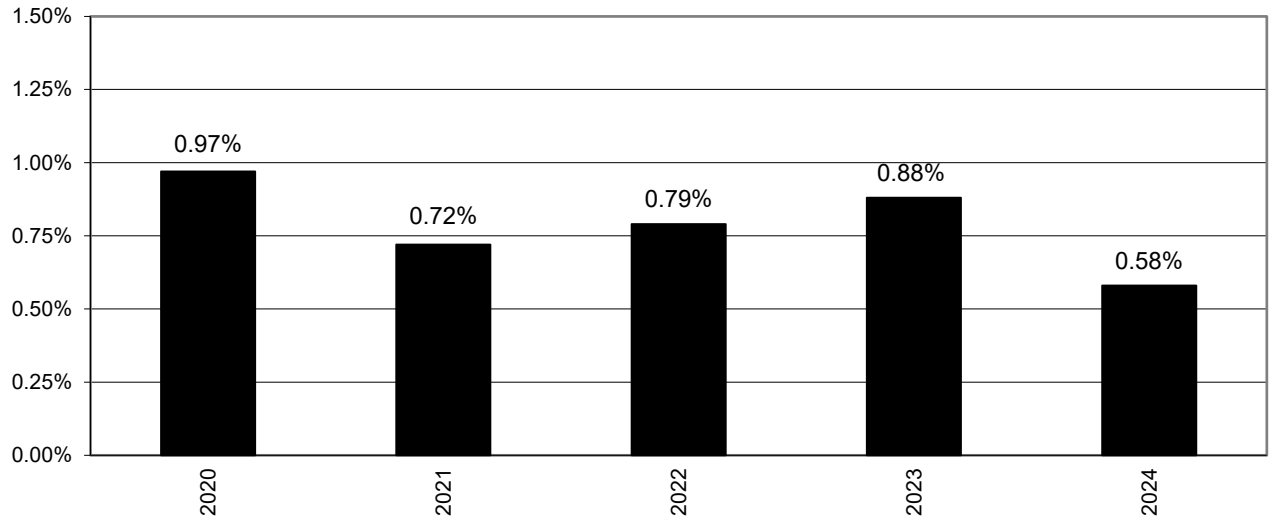
Total Stockholders' Equity (In Millions)



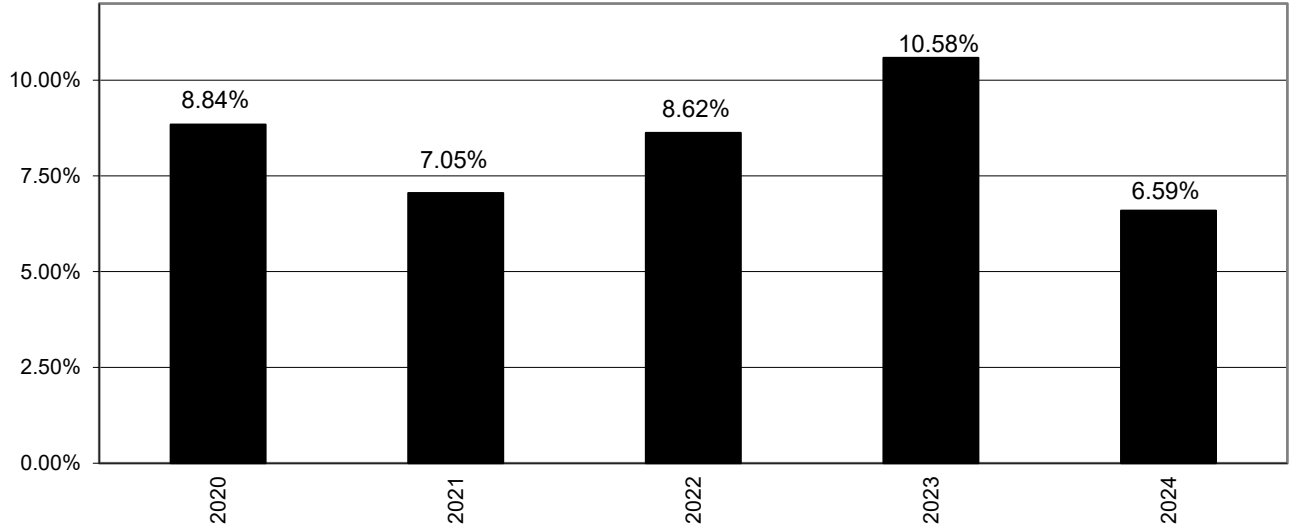
Dividends Paid Per Share (In Dollars)



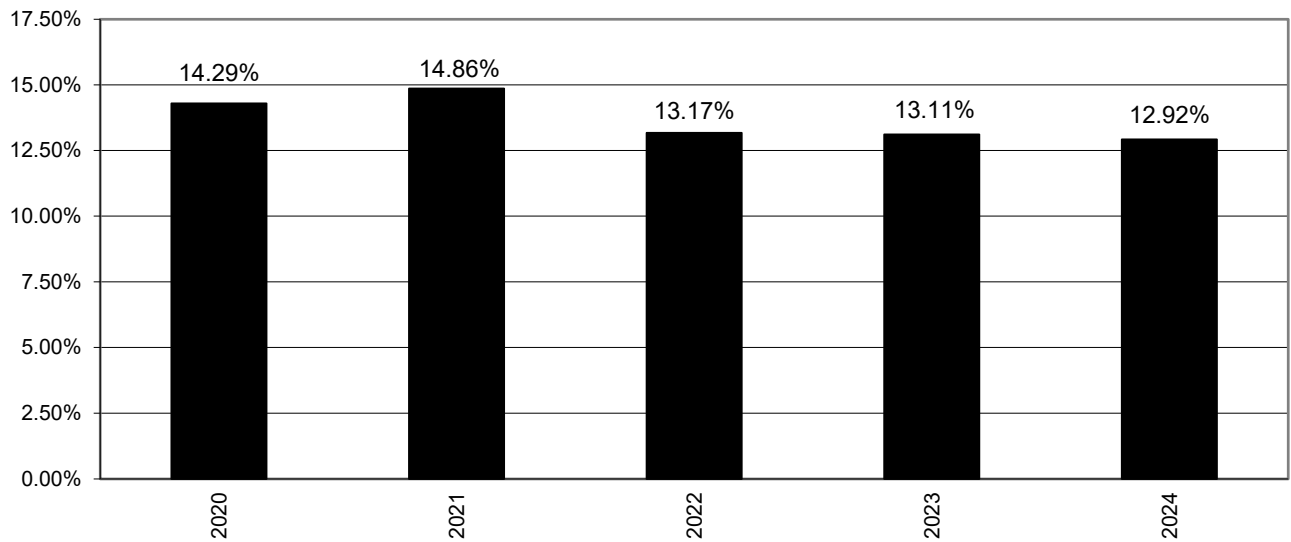
Return on Average Assets (Percentage)



Return on Average Shareholders' Equity (Percentage)



Tier I Capital to Risk-Weighted Assets (Percentage)



CITBA Financial Corporation

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2024 and 2023

CITBA Financial Corporation

December 31, 2024 and 2023

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Independent Auditor's Report

Board of Directors
CITBA Financial Corporation
Mooresville, Indiana

Opinion

We have audited the consolidated financial statements of CITBA Financial Corporation and subsidiaries (Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

**Indianapolis, Indiana
February 20, 2025**

CITBA Financial Corporation
Consolidated Balance Sheets
December 31, 2024 and 2023

Assets

	2024	2023
Cash and due from banks	\$ 4,758,504	\$ 3,792,574
Interest-bearing demand deposits	19,008,484	25,406,401
Cash and cash equivalents	23,766,988	29,198,975
Investment securities available for sale	168,895,399	189,638,698
Loans held for sale	633,414	331,243
Loans, net of allowance for credit losses of \$5,627,104 and \$5,560,327	428,563,867	410,221,516
Federal Home Loan Bank stock	1,459,100	1,459,100
Premises and equipment	12,668,341	10,581,106
Interest receivable	3,049,694	3,088,278
Foreclosed assets held for sale	28,000	28,000
Other assets	4,471,721	3,592,948
Total assets	\$ 643,536,524	\$ 648,139,864

Liabilities and Stockholders' Equity

Liabilities

Deposits		
Noninterest-bearing	\$ 125,727,789	\$ 131,649,889
Interest-bearing	457,726,033	456,672,932
Total deposits	583,453,822	588,322,821
Interest payable	134,080	138,434
Other liabilities	2,691,907	1,641,937
Total liabilities	586,279,809	590,103,192

Stockholders' Equity

Preferred stock, nonvoting \$10 par value		
Authorized and unissued - 35,000 shares		
Common stock, \$1 stated value		
Authorized - 10,000,000 shares		
Issued and outstanding - 1,626,315 and 1,694,725 shares	699,338	767,748
Additional paid-in capital	3,906,016	4,070,321
Retained earnings	59,716,809	58,845,946
Accumulated other comprehensive loss	(7,065,448)	(5,647,343)
Total stockholders' equity	57,256,715	58,036,672
Total liabilities and stockholders' equity	\$ 643,536,524	\$ 648,139,864

CITBA Financial Corporation
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

	2024	2023
Interest Income		
Loans receivable	\$ 22,934,325	\$ 19,412,291
Investment securities		
Taxable	3,128,492	3,354,290
Tax-exempt	2,647,128	2,586,829
Other	699,514	906,270
Dividends	111,713	57,406
Total interest income	29,521,172	26,317,086
Interest Expense		
Deposits	10,329,385	6,281,862
Borrowings	123,366	700
Total interest expense	10,452,751	6,282,562
Net Interest Income	19,068,421	20,034,524
Provision for credit losses	161,401	372,633
Net Interest Income After Provision for Credit Losses	18,907,020	19,661,891
Other Income		
Service charges on deposit accounts	831,836	936,123
Card services income	1,974,960	1,902,311
Other customer fees	555,251	590,749
Gain on mortgage loans sold	382,328	341,707
Gain on sale of investments available for sale	-	272,953
Loss on sale of other assets	(17,595)	(17,968)
Other income	202,746	133,004
Total other income	3,929,526	4,158,879
Other Expense		
Salaries and employee benefits	10,683,532	10,248,611
Premises and equipment expenses	2,437,474	2,138,447
Data processing fees	1,434,029	1,513,291
Deposit insurance premium	320,708	287,129
Printing and office supplies	92,963	102,678
Postage and courier services	252,115	189,529
Card services expense	518,934	550,627
Marketing	271,708	327,182
Loan expense	284,243	262,335
Telephone expenses	93,220	112,725
Internet banking expense	130,772	132,257
Other expenses	2,385,409	1,688,433
Total other expense	18,905,107	17,553,244
Income Before Income Tax	3,931,439	6,267,526
Income tax expense	186,920	769,485
Net Income	\$ 3,744,519	\$ 5,498,041
Net Income Per Share	\$ 2.23	\$ 3.23
Weighted-Average Shares Outstanding	1,675,541	1,702,910

See Notes to Consolidated Financial Statements

CITBA Financial Corporation
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	2024	2023
Net Income	\$ 3,744,519	\$ 5,498,041
Other Comprehensive Income (Loss)		
Less: reclassification adjustment for gains included in net income net of tax expense \$57,320	-	215,633
Unrealized appreciation (depreciation) on available-for-sale securities, net of tax expense (benefit) of (\$376,965) and \$963,747 for 2024 and 2023, respectively	(1,418,105)	3,194,260
Total other comprehensive income (loss)	(1,418,105)	3,409,893
Comprehensive Income	\$ 2,326,414	\$ 8,907,934

CITBA Financial Corporation
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance, January 1, 2023	1,722,551	\$ 795,574	\$ 4,137,152	\$ 55,312,911	\$ (9,057,236)	\$ 51,188,401
Net income				5,498,041		5,498,041
Other comprehensive income					3,409,893	3,409,893
Repurchase of Stock	(27,826)	(27,826)	(66,831)	(572,959)		(667,616)
Dividends, \$.82 per share				(1,392,047)		(1,392,047)
Balance, December 31, 2023	<u>1,694,725</u>	<u>767,748</u>	<u>4,070,321</u>	<u>58,845,946</u>	<u>(5,647,343)</u>	<u>58,036,672</u>
Balance, January 1, 2024	1,694,725	767,748	4,070,321	58,845,946	(5,647,343)	58,036,672
Net income				3,744,519		3,744,519
Other comprehensive (loss)					(1,418,105)	(1,418,105)
Repurchase of Stock	(68,410)	(68,410)	(164,305)	(1,472,551)		(1,705,266)
Dividends, \$.84 per share				(1,401,105)		(1,401,105)
Balance, December 31, 2024	<u><u>1,626,315</u></u>	<u><u>\$ 699,338</u></u>	<u><u>\$ 3,906,016</u></u>	<u><u>\$ 59,716,809</u></u>	<u><u>\$ (7,065,448)</u></u>	<u><u>\$ 57,256,715</u></u>

CITBA Financial Corporation
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Net income	\$ 3,744,519	\$ 5,498,041
Items not requiring (providing) cash		
Provision for credit losses	161,401	372,633
Depreciation and amortization	853,417	710,946
Deferred income taxes	28,028	(110,035)
Investment securities amortization (accretion), net	335,797	(48,195)
Gain on sales of securities available for sale	-	(272,953)
Loss on sale of other assets	19,239	17,968
Changes in		
Interest receivable	38,584	(603,723)
Interest payable	(4,354)	93,305
Loans held for sale	(302,171)	1,426,620
Other adjustments	534,470	(286,735)
Net cash provided by operating activities	5,408,930	6,797,872
Investing Activities		
Purchases of securities available for sale	(9,518,500)	(31,187,345)
Proceeds from maturities and paydowns of securities available for sale	28,130,932	26,855,499
Proceeds from sales of securities available for sale	-	18,987,713
Proceeds from sale of foreclosed assets held for sale	128,041	147,838
Net change in loans	(18,631,793)	(45,463,586)
Purchase of premises and equipment	(2,959,891)	(1,324,673)
Net cash used in investing activities	(2,851,211)	(31,984,554)
Financing Activities		
Net change in		
Noninterest-bearing, interest-bearing demand and savings deposits	(11,343,853)	15,747,136
Certificates and other time deposits	6,474,854	(6,123,466)
Cash dividends	(1,415,441)	(1,328,989)
Repurchase of stock	(1,705,266)	(667,616)
Net cash provided by (used in) financing activities	(7,989,706)	7,627,065
Net Change in Cash and Cash Equivalents	(5,431,987)	(17,559,617)
Cash and Cash Equivalents, Beginning of Year	29,198,975	46,758,592
Cash and Cash Equivalents, End of Year	\$ 23,766,988	\$ 29,198,975
Additional Cash Flows Information		
Interest paid	\$ 10,457,105	\$ 6,189,257
Income taxes paid	350,000	925,000
Transfers to other real estate from loans	128,041	149,616
Dividends payable	341,526	355,892

CITBA Financial Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The accounting and reporting policies of CITBA Financial Corporation (Company), its wholly owned subsidiary, Citizens Bank, Mooresville (Bank), and the Bank's wholly owned subsidiaries, CITBA Investments, Inc. and Citizens Insurance Services, Inc., conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses and fair values of financial instruments.

The Company is a bank holding company whose principal activity is the ownership and management of the Bank. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to the regulation of the Department of Financial Institutions, the State of Indiana and the Federal Deposit Insurance Corporation.

The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located primarily in Morgan County, Indiana and surrounding counties. The Bank's loans are generally secured by specific items or collateral including real property, consumer assets and business assets.

Consolidation – The consolidated financial statements include the accounts of the Company and Bank after elimination of all material intercompany transactions.

Cash and Cash Equivalents – The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2024, the Company's cash accounts exceeded federally insured limits by approximately \$16,370,000 which included approximately \$8,339,000 on deposit with the Federal Reserve Bank and the Federal Home Loan Bank of Indianapolis as of December 31, 2024, which are not federally insured.

Investment Securities – Debt securities are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific identification method.

CITBA Financial Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands)

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. The Company excludes accrued interest receivable on available-for-sale securities from the estimate of credit losses.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Loans Held for Sale – Mortgage loans originated and intended for sale in the secondary market and other loans held for sale are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

CITBA Financial Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands)

Management's general practice is to proactively charge down individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonable determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges off loans, or portions thereof, when available information confirms the specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 120 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all loan classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate in the loan is in compliance with modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six months.

CITBA Financial Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands)

Allowance for Credit Losses-Loans - The allowance for credit losses is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance for credit losses when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for credit losses.

The allowance for credit losses is evaluated on a regular basis by management as is based on management's periodic review of relevant available information, from internal and external courses, related to past due events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in portfolio mix, delinquency level or term as well as changes in environmental conditions, such as changes in unemployment rates and property values or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has identified the following portfolio segments: commercial and industrial, commercial real estate, 1-4 family real estate and consumer. The weighted-average remaining maturity (WARM) method is used to measure the allowance for credit losses for all segments.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When based on current information and events, it is probable that the Company will be unable to collect the scheduled payments or principal or interest when due according to the contractual terms of the loan, the expected credit losses are based on whether the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Accrued interest receivable on loans is excluded from the estimate of credit losses.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures – The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company utilizes the same segments and methodologies for the estimate of credit losses on off-balance sheet credit exposures that it uses for allowance for credit losses on loans. The allowance for credit losses on off-balance sheet credit exposures is included in other liabilities on the Company's consolidated balance sheet.

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Federal Home Loan Bank Stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula carried at cost and evaluated for impairment.

Premises and Equipment are carried at cost, net of accumulated depreciation. Depreciation is computed using straight-line and declining-balance methods based principally on the estimated useful lives of the assets. Maintenance and repair are expenses as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Foreclosed Assets Held for Sale – Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Long-Term Assets – Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Mortgage-servicing rights on originated loans that have been sold are initially recorded at fair value. Capitalized servicing rights are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage-servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant characteristic currently used for stratification is the interest rate, which is impacted by year of origination and loan type. The amount of impairment recognized is the amount by which the capitalized mortgage-servicing rights for a stratum exceed their fair value. Changes in valuation allowances are netted against servicing income and are reported with other customer fees on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Income Tax - The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

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Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more-likely-than-not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company files consolidated income tax returns with its subsidiaries.

Comprehensive Income- Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes gain on sale of available-for-sale securities and unrealized appreciation (depreciation) on available-for-sale securities.

Revenue From Contracts With Customers - The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities, and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

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A description of the Company's significant revenue streams accounted for under Topic 606 are as follows:

Deposit Services. The Company generates revenues through fees charged to depositors related to deposit account maintenance fees, overdrafts, ATM fees, wire transfers and additional miscellaneous services provided at the request of the depositor. For deposit-related services, revenue is recognized when performance obligations are satisfied, which is, generally, at a point in time.

Card Services Income. The Company earns interchange fees from debit and credit cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily.

Note 2: Investment Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities				
December 31, 2024				
U.S. treasuries and U.S. government-sponsored agencies	\$ 47,007	\$ 8	\$ (2,072)	\$ 44,943
State and political subdivisions	121,901	408	(6,152)	116,157
Corporate Issues	7,000	-	(902)	6,098
Mortgage-backed securities - government-sponsored agencies	1,931	-	(234)	1,697
	<u>\$ 177,839</u>	<u>\$ 416</u>	<u>\$ (9,360)</u>	<u>\$ 168,895</u>
December 31, 2023				
U.S. treasuries and U.S. government-sponsored agencies	\$ 71,698	\$ 16	\$ (3,043)	\$ 68,671
State and political subdivisions	115,896	1,268	(3,917)	113,247
Corporate Issues	7,000	-	(1,227)	5,773
Mortgage-backed securities - government-sponsored agencies	2,193	-	(245)	1,948
	<u>\$ 196,787</u>	<u>\$ 1,284</u>	<u>\$ (8,432)</u>	<u>\$ 189,639</u>

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The amortized cost and fair value of securities available for sale at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Within one year	\$ 19,838	\$ 19,709
One to five years	37,462	35,969
Five to ten years	51,371	47,805
Over ten years	67,237	63,715
	175,908	167,198
Mortgage-backed securities - government-sponsored agencies	1,931	1,697
Totals	\$ 177,839	\$ 168,895

Securities with a carrying value of \$155,620,000 and \$183,071,000 were pledged at December 31, 2024 and 2023, respectively, to secure certain deposits and for other purposes as permitted or required by law.

There were no sales of available-for-sale securities during 2024. Gross gains of \$273,000 resulting from sale of available-for-sale securities were realized during the year-ended December 31, 2023.

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Certain investments in debt securities have a fair value, less than their historical cost. Total fair value of these investments at December 31, 2024 and 2023 was \$142,693,000 and \$134,227,000 respectively, which is approximately 84% and 71% of the Company's available-for-sale investment portfolio. These declines primarily resulted from increases in market interest rates.

The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023:

Description of Securities	2024					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale						
U.S. treasuries and U.S. government-sponsored agencies	\$ 966	\$ (29)	\$ 43,119	\$ (2,043)	\$ 44,085	\$ (2,072)
State and political subdivisions	41,064	(785)	49,749	(5,367)	90,813	(6,152)
Corporate Issues	-	-	6,098	(902)	6,098	(902)
Mortgage-backed securities - government-sponsored agencies	-	-	1,697	(234)	1,697	(234)
Total temporarily impaired	<u>\$ 42,030</u>	<u>\$ (814)</u>	<u>\$ 100,663</u>	<u>\$ (8,546)</u>	<u>\$ 142,693</u>	<u>\$ (9,360)</u>

Description of Securities	2023					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-Sale						
U.S. treasuries and U.S. government-sponsored agencies	\$ -	\$ -	\$ 67,805	\$ (3,043)	\$ 67,805	\$ (3,043)
State and political subdivisions	14,664	(135)	44,037	(3,782)	58,701	(3,917)
Corporate Issues	-	-	5,773	(1,227)	5,773	(1,227)
Mortgage-backed securities - government-sponsored agencies	-	-	1,948	(245)	1,948	(245)
Total temporarily impaired	<u>\$ 14,664</u>	<u>\$ (135)</u>	<u>\$ 119,563</u>	<u>\$ (8,297)</u>	<u>\$ 134,227</u>	<u>\$ (8,432)</u>

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Unrealized losses on available-for-sale securities have not been recorded as an allowance for credit losses because the Company does not intend to sell the securities prior to their anticipated recover and the decline in fair value is largely due to changes in interest rates.

For the Company's investments in each type of security having significant unrealized losses, without a recorded allowance for credit loss note the following:

U.S. Treasuries, U.S. Government-Sponsored Agencies, State and Political Subdivisions and Corporate Issues

The unrealized losses on the Company's investments in direct obligations of U.S. Treasuries and U.S. Government-sponsored agencies, state and political subdivisions, and corporate issues were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2024.

Mortgage-Backed Securities - Government-Sponsored Agencies

The unrealized losses on the Company's investment in mortgage-backed securities were caused by interest rate increases. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in the fair value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2024.

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Note 3: Loans and Allowance for Credit Losses

Classes of loans at December 31, include:

	2024	2023
Commercial	\$ 24,160	\$ 21,301
Commercial real estate	186,884	180,173
Residential	108,927	88,552
Home equity	14,566	14,307
Consumer	99,654	111,449
Subtotal	434,191	415,782
Less: allowance for credit losses	(5,627)	(5,560)
Loans, net	\$ 428,564	\$ 410,222

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Commercial, including Agricultural

Commercial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected, and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

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Commercial Real Estate, Including Construction

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, construction loans are underwritten utilizing feasibility studies, independent appraisal reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential, Consumer and Home Equity

Residential and consumer loans consist of two segments - residential mortgage loans and consumer loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

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The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024 and 2023:

	2024				
	Commercial	Commercial Real Estate	Residential	Consumer	Total
Beginning Balance	\$ 236	\$ 2,899	\$ 736	\$ 1,689	\$ 5,560
Credit loss expense	23	(142)	423	(169)	135
Loans charged off	-	-	-	(132)	(132)
Recoveries	-	-	8	56	64
Ending Balance	<u>\$ 259</u>	<u>\$ 2,757</u>	<u>\$ 1,167</u>	<u>\$ 1,444</u>	<u>\$ 5,627</u>
	2023				
	Commercial	Commercial Real Estate	Residential	Consumer	Total
Beginning Balance	\$ 222	\$ 2,457	\$ 540	\$ 1,962	\$ 5,181
Credit loss expense	14	442	188	(236)	408
Loans charged off	-	-	-	(110)	(110)
Recoveries	-	-	8	73	81
Ending Balance	<u>\$ 236</u>	<u>\$ 2,899</u>	<u>\$ 736</u>	<u>\$ 1,689</u>	<u>\$ 5,560</u>

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The following tables present the Company's nonaccrual loans and past due greater than 90 days still accruing as of December 31, 2024 and 2023.

	2024		
	Nonaccrual With No Allowance for Credit Loss	Non accrual	Loans Past Due > 90 Days and Accruing
Commercial	\$ -	\$ -	\$ -
Commercial real estate	-	-	-
Residential	89	-	-
Home equity	-	-	-
Consumer	-	-	31
	<hr/>	<hr/>	<hr/>
Total	\$ 89	\$ -	\$ 31
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	2023		
	Nonaccrual With No Allowance for Credit Loss	Non accrual	Loans Past Due > 90 Days and Accruing
Commercial	\$ -	\$ -	\$ -
Commercial real estate	-	-	-
Residential	97	-	-
Home equity	-	-	-
Consumer	37	-	-
	<hr/>	<hr/>	<hr/>
Total	\$ 134	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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The following table presents the amortized cost basis of collateral-dependent loans by class of loan as of December 31, 2024 and 2023.

	2024		
	Real Estate	Other	Total
Commercial	\$ -	\$ -	\$ -
Commercial real estate	1,170	-	1,170
Residential	583	-	583
Consumer	-	6	6
	<u>-</u>	<u>6</u>	<u>6</u>
Total	<u>\$ 1,753</u>	<u>\$ 6</u>	<u>\$ 1,759</u>

	2023		
	Real Estate	Other	Total
Commercial	\$ -	\$ -	\$ -
Commercial real estate	1,238	-	1,238
Residential	566	-	566
Consumer	-	11	11
	<u>-</u>	<u>11</u>	<u>11</u>
Total	<u>\$ 1,804</u>	<u>\$ 11</u>	<u>\$ 1,815</u>

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The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2024 and 2023:

	2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 24,160	\$ 24,160
Commercial real estate	-	-	-	-	186,884	186,884
Residential	551	25	-	576	108,351	108,927
Home equity	-	-	-	-	14,566	14,566
Consumer	195	-	32	227	99,427	99,654
Total	<u>\$ 746</u>	<u>\$ 25</u>	<u>\$ 32</u>	<u>\$ 803</u>	<u>\$ 433,388</u>	<u>\$ 434,191</u>

	2023					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 21,301	\$ 21,301
Commercial real estate	-	-	-	-	180,173	180,173
Residential	280	-	97	377	88,175	88,552
Home equity	-	-	-	-	14,307	14,307
Consumer	217	63	-	280	111,169	111,449
Total	<u>\$ 497</u>	<u>\$ 63</u>	<u>\$ 97</u>	<u>\$ 657</u>	<u>\$ 415,125</u>	<u>\$ 415,782</u>

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Internal Risk Categories

Loan grades are numbered 1 through 8. Grades 1 through 4 are considered satisfactory grades. The grade of 5, or Watch or Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, and 7, or Doubtful, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

Prime (1) Loans are of superior quality with excellent credit strength and repayment ability providing a nominal credit risk.

Good (2) Loans are of above average credit strength and repayment ability providing only a minimal credit risk.

Satisfactory (3) Loans are of reasonable credit strength and repayment ability providing an average credit risk due to one or more underlying weaknesses.

Acceptable (4) Loans are of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses.

Special Mention (5) A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (6) Loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (7) Loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

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The following table presents the credit risk profile of the Company's loan portfolio by segment and year of origination as of December 31, 2024:

	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial								
Grade:								
Pass (1-4)	\$ 9,071	\$ 4,615	\$ 4,719	\$ 2,374	\$ 549	\$ 2,807	\$ -	\$ 24,135
Special mention (5)	-	-	-	-	-	25	-	25
Substandard (6)	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total Commercial Loans	\$ 9,071	\$ 4,615	\$ 4,719	\$ 2,374	\$ 549	\$ 2,832	\$ -	\$ 24,160
Commercial Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Real Estate								
Grade:								
Pass (1-4)	\$ 18,522	\$ 42,432	\$ 55,060	\$ 20,393	\$ 35,722	\$ 6,004	\$ -	\$ 178,133
Special mention (5)	-	364	4,818	-	1,528	469	-	7,179
Substandard (6)	975	-	-	-	597	-	-	1,572
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total Commercial Real Estate Loans	\$ 19,497	\$ 42,796	\$ 59,878	\$ 20,393	\$ 37,847	\$ 6,473	\$ -	\$ 186,884
Commercial Real Estate Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential								
Grade:								
Pass (1-4)	\$ 23,564	\$ 28,104	\$ 36,145	\$ 12,025	\$ 8,848	\$ -	\$ -	\$ 108,686
Special mention (5)	-	-	-	91	-	-	-	91
Substandard (6)	-	-	-	-	89	-	61	150
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total Residential Loans	\$ 23,564	\$ 28,104	\$ 36,145	\$ 12,116	\$ 8,937	\$ -	\$ 61	\$ 108,927
Residential Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Home Equity								
Grade:								
Pass (1-4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,566	\$ -	\$ 14,566
Special mention (5)	-	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total Home Equity Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,566	\$ -	\$ 14,566
Home Equity Loans: Total Current Period								
Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Grade:								
Pass (1-4)	\$ 23,021	\$ 17,088	\$ 11,337	\$ 13,148	\$ 35,023	\$ -	\$ -	\$ 99,617
Special mention (5)	-	-	-	31	6	-	-	37
Substandard (6)	-	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-	-
Total Consumer Loans	\$ 23,021	\$ 17,088	\$ 11,337	\$ 13,179	\$ 35,029	\$ -	\$ -	\$ 99,654
Consumer Loans: Total Current Period								
Gross Charge-offs	\$ 1	\$ 4	\$ 4	\$ 54	\$ 69	\$ -	\$ -	\$ 132

The following table presents the credit risk profile of the Company's loan portfolio by segment and year of origination as of December 31, 2023:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Commercial							
Grade:							
Pass (1-4)	\$ 7,710	\$ 6,500	\$ 3,880	\$ 795	\$ 2,245	\$ -	\$ 21,130
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	171	-	171
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total Commercial Loans	\$ 7,710	\$ 6,500	\$ 3,880	\$ 795	\$ 2,416	\$ -	\$ 21,301
Commercial Loans: Total Current							
Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Commerical Real Estate							
Grade:							
Pass (1-4)	\$ 54,713	\$ 66,956	\$ 22,077	\$ 24,436	\$ 7,641	\$ -	\$ 175,823
Special mention (5)	-	627	997	1,504	469	-	3,597
Substandard (6)	-	-	-	753	-	-	753
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total Commercial Real Estate Loans	\$ 54,713	\$ 67,583	\$ 23,074	\$ 26,693	\$ 8,110	\$ -	\$ 180,173
Commercial Real Estate Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential							
Grade:							
Pass (1-4)	\$ 26,481	\$ 37,019	\$ 13,327	\$ 10,927	\$ 567	\$ -	\$ 88,321
Special mention (5)	34	-	100	-	-	-	134
Substandard (6)	-	-	-	97	-	-	97
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total Residential Loans	\$ 26,515	\$ 37,019	\$ 13,427	\$ 11,024	\$ 567	\$ -	\$ 88,552
Residential Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home Equity							
Grade:							
Pass (1-4)	\$ -	\$ -	\$ -	\$ -	\$ 14,236	\$ -	\$ -
Special mention (5)	-	-	-	-	46	-	-
Substandard (6)	-	-	-	-	25	-	-
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total Home Equity Loans	\$ -	\$ -	\$ -	\$ -	\$ 14,307	\$ -	\$ 14,307
Home Equity Loans: Total Current Period Gross Charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Prior</u>	<u>Revolving Loans Amortized Cost Basis</u>	<u>Revolving Loans Converted to Term</u>	<u>Total</u>
Consumer							
Grade:							
Pass (1-4)	\$ 24,162	\$ 15,826	\$ 17,946	\$ 53,362	\$ -	\$ -	\$ 111,296
Special mention (5)	-	-	24	6	-	-	30
Substandard (6)	-	-	31	92	-	-	123
Doubtful (7)	-	-	-	-	-	-	-
Loss (8)	-	-	-	-	-	-	-
Total Consumer Loans	<u>\$ 24,162</u>	<u>\$ 15,826</u>	<u>\$ 18,001</u>	<u>\$ 53,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,449</u>
Consumer Loans: Total Current Period							
Gross Charge-offs	<u>\$ 2</u>	<u>\$ 21</u>	<u>\$ 6</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110</u>

The Company will, from time to time, make modifications to loans when a borrower is experiencing financial difficulties. Total modifications to loans when a borrower is experiencing financial difficulty during the years ended December 31, 2024 and 2023 was not material to the consolidated financial statements.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost are as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 3,572	\$ 3,572
Buildings	11,911	10,236
Equipment	5,126	4,648
Construction in progress	1,160	744
Total cost	<u>21,769</u>	<u>19,200</u>
Accumulated depreciation and amortization	<u>(9,101)</u>	<u>(8,619)</u>
Net	<u>\$ 12,668</u>	<u>\$ 10,581</u>

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Note 5: Deposits

	2024	2023
Noninterest-bearing	\$ 125,728	\$ 131,649
Money market checking accounts	212,895	219,217
Money market savings accounts	83,105	78,888
Savings deposits	94,019	97,337
Certificates and other time deposits of \$250,000 or more	26,521	16,769
Other certificates and time deposits	41,186	44,463
	\$ 583,454	\$ 588,323

Certificates and other time deposits maturing in:

2025		\$ 49,847
2026		11,073
2027		1,661
2028		1,304
2029		2,957
Thereafter		865
		\$ 67,707

Brokered deposit amounts at December 31, 2024 and 2023 were as follows:

	2024	2023
Money market checking accounts	\$ 51,680	\$ 46,050
Money market savings accounts	12,978	13,438
Other certificates and time deposits	1,212	1,184
	\$ 65,870	\$ 60,672

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Note 6: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were \$116,735,000 and \$118,894,000 at December 31, 2024 and 2023, respectively.

The following summarizes the activity in mortgage-servicing rights measures using the amortization method for the years ended December 31, 2024 and 2023:

	2024	2023
Mortgage-servicing rights		
Balances, beginning of year	\$ 865	\$ 951
Servicing rights capitalized	83	73
Amortization of servicing rights	(162)	(159)
Balances, end of year	786	865
Valuation allowance		
Balances, beginning of year	59	129
Reductions	(19)	(70)
Balances, end of year	40	59
Mortgage-servicing rights, net	\$ 746	\$ 806
Fair value disclosures		
Fair value as of the beginning of year	\$ 806	\$ 822
Fair value as of the end of year	746	806

During 2024 a valuation allowance of \$40,000 was necessary to adjust the aggregate cost basis of the mortgage-servicing rights asset to fair value.

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Note 7: Borrowings

There were no Federal Home Loan Bank advances outstanding at December 31, 2024 and 2023. Loans totaling \$223,967,000 and specific investment securities with a carrying value of \$68,485,000 at December 31, 2024 were pledged to the Federal Home Loan Bank for future advances.

Note 8: Income Tax

The Company files income tax returns in the U.S. federal jurisdiction and Indiana jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for year before 2021.

	2024	2023
Income tax expense		
Currently payable		
Federal	\$ 138	\$ 878
State	21	1
Deferred		
Federal	158	(102)
State	(130)	(8)
	\$ 187	\$ 769
	\$ 187	\$ 769
Reconciliation of federal statutory to actual tax expense		
Federal statutory income tax at 21%	\$ 826	\$ 1,316
Tax-exempt interest	(563)	(551)
Effect of state income taxes	(86)	(6)
Other	10	10
	\$ 187	\$ 769
	\$ 187	\$ 769

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A cumulative net deferred tax asset is included in other assets. The components of the asset are as follows:

	2024	2023
Assets		
Allowance for credit losses	\$ 1,446	\$ 1,425
Deferred compensation	40	34
Unrealized loss on securities available for sale	1,878	1,501
Other	51	-
Total assets	3,415	2,960
Liabilities		
Mortgage-servicing rights	(193)	(209)
Depreciation and amortization	(734)	(516)
Prepaid expense	(74)	(69)
Other cash basis adjustments	(92)	(136)
Other	-	(57)
Total liabilities	(1,093)	(987)
	\$ 2,322	\$ 1,973

Management believes that no valuation allowance was necessary during 2024 or 2023.

Note 9: Employee Benefits

The Bank has a retirement savings 401(k) plan in which substantially all employees may participate. For 2024 and 2023, the Bank matched employees' contributions at the rate of 100% for the first 3% of base salary contributed by participants and matched at the rate of 50% for the next 2% of base salary contributed by participants, a total of 4%. The Bank's expense for the plan was \$261,000 for 2024 and \$273,000 for 2023.

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Note 10: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss included in stockholders' equity are as follows:

	2024	2023
Net unrealized gain (loss) on securities available for sale	\$ (8,944)	\$ (7,148)
Tax effect	1,879	1,501
Net-of-tax amounts	\$ (7,065)	\$ (5,647)

Note 11: Segment Information

The Company's reporting segment is determined by the Chief Executive Officer/President, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, such as branches, which are then aggregated if operating performance, products/services and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmark analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses and payroll provide the significant expenses in the banking operation. All operations are domestic.

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	Banking Segment	
	2024	2023
Interest income	\$ 29,521	\$ 26,317
<i>Reconciliation of revenue</i>		
Other revenue	3,930	4,159
Total consolidated revenues	\$ 33,451	\$ 30,476
Less:		
Interest expense	10,453	6,282
Segment net interest income and non-interest income	\$ 22,998	\$ 24,194
Less:		
Provision for credit losses	161	373
Salaries and benefits expenses	10,684	10,249
Other segment expense	8,221	7,305
Income tax expense	187	769
Segment consolidated net income	\$ 3,745	\$ 5,498
<i>Other segment disclosures</i>		
Interest Income	29,521	26,317
Interest Expense	10,453	6,282
Depreciation and amortization	853	711
Other significant noncash items:		
Provision for credit losses	161	373
Segment assets	643,537	648,140
Expenses for segment assets	29,519	24,209

*Other segment items include expenses for premises and equipment, data processing, and other noninterest expense items.

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Note 12: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amount represents credit risk as of December 31 were as follows:

	2024	2023
Commitments to extend credit	\$ 94,495	\$ 92,686
Standby letters of credit	-	65

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party.

The Company and Bank are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company,

Note 13: Dividends and Capital Restrictions

Without prior approval, current regulations allow the Bank to pay dividends to the Company not exceeding net profits (as defined) for the current year plus those for the previous two years. The Bank normally restricts dividends to a lesser amount because of the need to maintain an adequate capital structure.

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Note 14: Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies and is assigned to a capital category. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these consolidated financial statements.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2024						
Total capital ¹ (to risk-weighted assets)	\$ 69,454	14.1%	\$ 39,509	8.0%	\$ 49,386	10.0%
Tier I capital ¹ (to risk-weighted assets)	63,827	12.9%	29,632	6.0%	39,509	8.0%
Common Equity Tier I capital ¹ (to risk-weighted assets)	63,827	12.9%	22,224	4.5%	32,101	6.5%
Tier I capital ¹ (to average assets)	63,827	9.9%	25,727	4.0%	32,159	5.0%
2023						
Total capital ¹ (to risk-weighted assets)	\$ 68,797	14.3%	\$ 38,592	8.0%	\$ 48,240	10.0%
Tier I capital ¹ (to risk-weighted assets)	63,237	13.1%	28,944	6.0%	38,592	8.0%
Common Equity Tier I capital ¹ (to risk-weighted assets)	63,237	13.1%	21,708	4.5%	31,356	6.5%
Tier I capital ¹ (to average assets)	63,237	9.8%	25,777	4.0%	32,221	5.0%

¹ As defined by regulatory agencies

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation was 2.50% at December 31, 2024 and 2023. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

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Note 15: Related Party Transactions

The Company has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates or associates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rate and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 21, 2024 and 2023 was approximately \$2,952,000 and \$3,436,000 respectively.

Note 16: Disclosures About Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

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	2024			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Treasuries and U.S. Government-agencies	\$ 44,943	\$ -	\$ 44,943	\$ -
State and political subdivisions	116,157	-	116,157	-
Corporate Issues	6,098	-	6,098	-
Mortgage-backed securities - government-sponsored agencies	1,697	-	1,697	-
	<u>\$ 168,895</u>	<u>\$ -</u>	<u>\$ 168,895</u>	<u>\$ -</u>

	2023			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Government-sponsored agencies	\$ 68,671	\$ -	\$ 68,671	\$ -
State and political subdivisions	113,247	-	113,247	-
Corporate Issues	5,773	-	5,773	-
Mortgage-backed securities - government-sponsored agencies	1,948	-	1,948	-
	<u>\$ 189,639</u>	<u>\$ -</u>	<u>\$ 189,639</u>	<u>\$ -</u>

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Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024.

Available-for-Sale Securities - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. Level 2 securities include U.S. Treasuries, U.S. Government-sponsored agency securities, obligations of state and political subdivisions, corporate issues and mortgage-backed securities - government-sponsored agencies. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Mortgage-servicing rights	115	-	-	115
December 31, 2023				
Mortgage-servicing rights	147	-	-	147

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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Mortgage-Servicing Rights

Mortgage-servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage-servicing rights are classified within Level 3 of the hierarchy.

Mortgage-servicing rights are tested for impairment on at least an annual basis. The Controller's office contracts with a pricing specialist to generate fair value estimates. The Controller's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value is appropriate.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted- Average)
December 31, 2024				
Mortgage-servicing rights	115	Discounted cash flow	Discount rate Prepayment speed	10.00% 9.00% - 18.60% (10.48)%
December 31, 2023				
Mortgage-servicing rights	147	Discounted cash flow	Discount rate Prepayment speed	10.25% 9.00% - 21.18% (10.15)%

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The estimated fair values of the Company's financial instruments are as follows:

December 31, 2024				
Fair Value Measurements Using				
	Carrying Amount	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 23,767	\$ 23,767	\$ -	\$ -
Loans held for sale	633		633	
Loans, net	428,564	-	-	423,054
Federal Home Loan Bank stock	1,459	-	1,459	-
Interest receivable	3,050	-	3,050	-
Liabilities				
Deposits	583,454	515,747	67,302	-
Interest payable	134	-	134	-

December 31, 2023				
Fair Value Measurements Using				
	Carrying Amount	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 29,199	\$ 29,199	\$ -	\$ -
Loans held for sale	331		331	
Loans, net	410,222	-	-	390,583
Federal Home Loan Bank stock	1,459	-	1,459	-
Interest receivable	3,088	-	3,088	-
Liabilities				
Deposits	588,323	527,091	60,363	-
Interest payable	138	-	138	-

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Note 17: Condensed Financial Information (Parent Company Only)

Presented below is consolidated financial information as to financial positions, results of operations and cash flows of the Company:

Condensed Balance Sheets

	December 31,	
	2024	2023
Assets		
Cash	\$ 500	\$ 535
Investment in common stock of subsidiary	56,599	57,347
Other	518	519
Total assets	\$ 57,617	\$ 58,401
Liabilities - other	\$ 360	\$ 364
Stockholders' Equity	57,257	58,037
Total liabilities and stockholders' equity	\$ 57,617	\$ 58,401

Condensed Statements of Income and Comprehensive Income (Loss)

	Years Ended December 31,	
	2024	2023
Income		
Dividends from subsidiary	\$ 3,129	\$ 2,064
Expenses	55	51
Income before equity in undistributed income of subsidiary	3,074	2,013
Equity in undistributed income of subsidiary	671	3,485
Net Income	\$ 3,745	\$ 5,498
Comprehensive Income	\$ 2,326	\$ 8,908

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Condensed Statements of Cash Flows

	Years Ended December 31,	
	2024	2023
Operating Activities		
Net income	\$ 3,745	\$ 5,498
Items not providing cash	(660)	(3,065)
Net cash provided by operating activities	3,085	2,433
Financing Activity		
Cash dividends	(1,415)	(1,329)
Repurchase of stock	(1,705)	(668)
Net cash used in financing activities	(3,120)	(1,997)
Net Change in Cash	(35)	436
Cash at Beginning of Year	535	99
Cash at End of Year	\$ 500	\$ 535

Note 18: Subsequent Events

Subsequent events have been evaluated through February 20, 2025, which is the date the consolidated financial statements were available to be issued.

CITBA FINANCIAL CORPORATION

Directors

Jennifer A. Andres
Jeffrey A. Banning
Christopher J. Branson
Larry R. Heydon
Thomas A. Hubbard
William R. "Chip" Keller
Keith A. Lindauer
Jeremiah P. Mills
John P. Wilkowski

Officers

Christopher J. Branson, Chairman
Thomas A. Hubbard, Vice Chairman
Keith A. Lindauer, President
William R. "Chip" Keller, Secretary
Beth A. Pedersen, Treasurer

Transfer Agent and Registrar

Equiniti Trust Company, LLC
48 Wall Street, Floor 23
New York, NY 10005
Online: equiniti.com
Telephone: 800-937-5449
Foreign shareholders: 718-921-8124

JENNIFER A. ANDRES

Director since 2017; Member of the ALCO and CEO Performance Committees

Jennifer works for Indiana University Health as a Director with the Community Health team, responsible for managing the Community Impact Investment Fund and anchor institution strategy. Jennifer is a licensed attorney and is active in her community. She serves on the Town of Plainfield Planning Commission, the Board of Directors for the Hendricks County Senior Center and Employ Indy. She is also active with St. Susanna Catholic Church in Plainfield, IN. She holds a B.S. degree in Public Affairs from Indiana University and a Juris Doctorate degree from the Indiana University School of Law. Jennifer is married with four children and lives in Plainfield.

JEFFREY A. BANNING

Director since 2010; Chair of the Compensation Committee; Member of the Corporate Governance Committee

Jeff Banning founded Banning Engineering in 1994 and serves as the company's President. He is regularly involved in economic development, parks and recreation, municipal and private infrastructure, and site design projects. He is past Board President of the Parks Foundation of Hendricks County and former Secretary for the Board of the Indiana Economic Development Association (IEDA). Jeff is the current President of the Hendricks County Economic Development Corporation and is also a member of the Morgan County Economic Development Corporation. Jeff is a member of the Plainfield and Avon Chambers of Commerce, the Builders Association of Greater Indianapolis, and Plainfield Christian Church. He is highly involved in running and facilitating a training program for the Mini Marathon. Jeff graduated from the University of Evansville with a B.S. degree in Civil Engineering. He is married with four children and lives in the Mooresville/Plainfield area.

CHRISTOPHER J. BRANSON

Director since 2015; Chairman of the Board; Chair of the CEO Performance Committee; Member of the ALCO Committee

Chris Branson began working in the funeral industry at Leppert Mortuary in Indianapolis when he was 17 and rose to the position of general manager. He resigned from Leppert Mortuary in 2005 and purchased Carlisle & Son Funeral Chapel in 2007, establishing the county's only onsite crematory in 2010. The company rebranded as Carlisle-Branson Funeral Service & Crematory in 2010 and purchased Daniel F. O'Riley Funeral Home in February 2017. Chris formerly served on the Boards of the Community Foundation of Morgan County, the Mooresville Chamber of Commerce, and the Mooresville Senior Center. He presently serves on the Board of the Franciscan Hospital Foundation and is a member of the President's Advisory Council at Xavier University. He is a member of the Mooresville Kiwanis Club, the Mooresville Lions Club, Mooresville Masonic Lodge #78 and the St. Thomas More Knights of Columbus. Professionally, Chris is an active member of Selected Independent Funeral Homes and a member of the Indiana Funeral Directors Association. He earned a B.S.B.A. degree in Entrepreneurial Studies from Xavier University and graduated from Worsham College of Mortuary Science in Chicago. Chris is married with two children and lives in Mooresville.

LARRY R. HEYDON

Director since 2012; Member of the Audit and Compensation Committees

Larry Heydon serves as Chief Financial Officer and Board member of Brickyard Healthcare and Macondray Lane Healthcare. He previously served as President/CEO and Chief Financial Officer of Johnson Memorial Health and Chief Executive of St. Francis Hospital, Mooresville. He began his career at Ernst & Young and developed a passion for the banking industry through his assignment on many bank consulting and audit engagements. Larry holds a B.S. degree in Accounting from Butler University and a M.B.A. degree from Indiana Wesleyan. He also holds an inactive license as a certified public accountant (CPA). He is married with two adult children.

THOMAS A. HUBBARD

Director since 1998; Vice Chairman of the Board; Chair of the Corporate Governance Committee; Member of the CEO Performance Committee

Tom Hubbard raises both soybeans and corn on his family farm, where he serves as President of Windridge Farms, Inc. He formerly worked with his father at the Hubbard Grain & Feed Mill for many years and, eventually, took over as the fourth-generation owner of the company. He recently retired from his position with Sunrise Energy Systems where he served as the Central Indiana Sales Manager for 24 years. He attended Purdue University, completing the agriculture short course program in 1981. Tom is married with one son and resides in Monrovia.

WILLIAM R. "CHIP" KELLER

Director since 2010; Secretary of the Board; Chair of the Audit Committee; Member of the Loan & Investment Committee

Chip Keller is President of Keller Office Supply & Printing in Martinsville. He previously worked at Olive, LLP (now BKD, LLP) CPA firm in Indianapolis, where he specialized in financial institution audit and consulting work. He is very active in his local community having served as President of the Martinsville Redevelopment Commission and as a member of the City of Martinsville Common Council. He currently serves as a member of the Morgan County Council and the Morgan County Economic Development Corporation. He is also an active member of the Martinsville Rotary Club, the Martinsville and Mooresville Chambers of Commerce, and AICPA Society. Chip holds a B.S. degree in Accounting from Butler University and an inactive Indiana CPA license. He is married with two children and lives in Martinsville.

KEITH A. LINDAUER

Director since 2014; President; Chair of the Loan & Investment Committee; Member of the ALCO Committee

Keith Lindauer was named President and CEO of Citizens Bank and CITBA Financial Corporation on October 22, 2014. With over 30 years of banking experience in Central Indiana, he began his career with The National Bank of Greenwood, where he held a variety of positions in the consumer and commercial areas. He also worked for First Community Bank and Trust, where he was an Executive Vice President and Senior Loan Officer. In 2003, he transitioned to MainSource Bank as Senior Vice President and Director of Commercial Lending, eventually being promoted to Senior Commercial Banker. He joined Citizens Bank as Senior Vice President, Chief Lending Officer in 2012. He is a member of the Knights of Columbus and serves on the Board of Directors of the Morgan County Economic Development Corporation. Keith graduated from Purdue University with a B.S. degree in Agriculture Finance and earned his MBA from the University of Indianapolis. Keith is married with two children and lives in Franklin.

JEREMIAH P. MILLS

Director since 2018; Member of the Audit and Corporate Governance Committees

Jeremy Mills is the operator and a co-owner of Mills Family Farms, LLC, a corn, soybean, hay and cattle farm based in West Newton, Indiana. He serves on the Farm Service Agency Committee for Johnson and Marion Counties, is a Director for Midland Co Op, and a member of the Board of Directors and the Executive Committee of Co Alliance, LLP, a group of five agriculture cooperatives covering large areas of Indiana and parts of Michigan and Ohio. He holds a B.S. degree from Purdue University. Jeremy is married with three children and lives in West Newton.

JOHN P. WILKOWSKI

Director since 2016; Member of the Compensation and Loan & Investment Committees

John Wilkowski is a lawyer and partner with Williams Barrett & Wilkowski, LLP, practicing since 1994. His personal practice is centered on corporations, business transactions, real estate, estate and business succession planning and general business law. Before admission to the bar, Wilkowski worked in the financial services industry as both a Commercial Credit Analyst and a Corporate Lender. He holds a B.S. degree in Finance (minor in Economics) from the University of Tennessee (Magna Cum Laude) and a J.D. degree from Indiana University School of Law (Magna Cum Laude). John has two children and lives in Greenwood.

CITIZENS BANK

Directors

Christopher J. Branson, Chairman
Thomas A. Hubbard, Vice Chairman
William R. "Chip" Keller, Secretary

Jennifer A. Andres
Jeffrey A. Banning

Larry R. Heydon
Keith A. Lindauer

Jeremiah P. Mills
John P. Wilkowski

Officers

Keith Lindauer, President and CEO
Mark Lemieux, Senior Vice President, Chief Experience Officer
Cory Palmer, Senior Vice President, Chief Information Officer
Beth Pedersen, Senior Vice President, Chief Financial Officer
John Purdie, Senior Vice President, Senior Lender and Chief Credit Officer
Pennie Stancombe, Senior Vice President, Chief Human Resources Officer
Raymond Barclay, Vice President, Commercial Loan Officer
Heather Basham, Vice President, Mortgage Operations Manager
Heather Brown, Vice President, Customer Care
Melissa Duke, Vice President, Senior Commercial Lender
Shelley Ferrand, Vice President, Compliance
Don Goeb, Vice President, Commercial Loan Officer
Kimberly Harmon, Vice President, Controller and Cashier
Lauren Harmon, Vice President, Treasury Management
Stephen Kaiser, Vice President, Commercial Loan Officer
William Klutey, Vice President, Collections Manager
Amy Losh, Vice President, Credit Manager
Sarah Parks, Vice President, Human Resources and Security
Ryan Rash, Vice President, Branch Banking
Tim Sighting, Vice President, Commercial Loan Officer

Randy Stephens, Vice President, Mortgage Underwriter
Mary Zigler, Vice President, Commercial Loan Officer
Chris Zike, Vice President, Operations
Heather Basham, Assistant Vice President, Mortgage Underwriter
Alyssa Bridgeman, Assistant Vice President, Mortgage and Consumer Servicing Manager
Ken Chitwood, Assistant Vice President, System Administrator
Ramona Davis, Assistant Vice President, Mortgage Construction Draw & Modification Specialist
Kristin Irvine, Assistant Vice President, Branch Manager
Ashley Kaufman, Assistant Vice President, Branch Manager
Megan Mursener, Assistant Vice President, Human Resources Generalist
Diane Allman, Consumer Loan Officer
Kim Baver, Branch Manager
Rick Brinkman, Mortgage Loan Originator
Juan Calderon, Branch Manager
Tiarra Cavilear, Branch Manager
Hunter Crispen, IT Security Analyst Officer
Jacob Edwards, Branch Manager
Alexa Gardner, Branch Manager
Kyra Graham, Branch Manager
Dana Haggengjos, Operations Supervisor
Alexandra Johnson, Credit Analyst
Wendy McClellan, Mortgage Loan Originator
Susan Summers, Mortgage Processor
Josh Waddell, Mortgage Loan Originator Underwriter

CITBA FINANCIAL CORPORATION AND CITIZENS BANK CORPORATE GOVERNANCE POLICY

The Board of Directors has established the following guidelines that it follows in corporate governance:

I. Role of the Board

The Directors are elected by the shareholders to oversee the actions and results of the Company's management. Each Director owes a duty of loyalty to the Company and is expected to act in the best interest of the shareholders as a whole. The responsibilities of the Directors include:

- providing general oversight of the business;
- approving corporate strategy and major management initiatives;
- providing oversight of legal and ethical conduct;
- selecting and compensating the Chief Executive Officer and compensating other senior officers;
- nominating, compensating, and evaluating Directors;
- evaluating Board processes and performance;
- appointing, compensating and providing oversight of the Company's independent auditors.

II. Independence of Directors

To increase the effectiveness of the Board of Directors in carrying out their responsibilities, a majority of the Board Members will be independent Directors.

Criteria to Qualify as an Independent Director

A Director is considered independent if he or she is not an employee or has not been an employee for at least five years, has no material relationship with the Company as a substantial supplier of or customer for goods or services, and does not obtain compensation from the Company other than Director's compensation and dividends.

Conflicts of Interest

Occasionally a Director's business or personal relationships may give rise to a material interest that conflicts, or appears to conflict, with the interests of the Company. The Board will take appropriate steps to ensure that all Directors voting on an issue do not possess conflicts of interest. In appropriate cases, the affected Director will be excused from discussions on the issue.

To avoid any appearance of a conflict, Board decisions on certain matters of corporate governance are made solely by the independent Directors. These include Director nominations and the selection, evaluation, compensation and removal of the Chief Executive Officer.

Director Tenure

The corporate governance guidelines establish the requirement that Directors will resign from the Board following their 70th birthday at the end of their elected three-year term.

III. Responsibilities and Functioning of the Board

A. Evaluation of Chief Executive Officer

The Chairperson of the CEO Performance Committee leads the independent Directors annually in assessing the performance of the Chief Executive Officer. The results of this review are discussed with the Chief Executive Officer and considered by the CEO Performance Committee in establishing the CEO's compensation for the next year.

B. Management Succession

The Company has plans in place that include succession planning for the position of Chief Executive Officer and the Board of Directors. These plans are reviewed annually by the Board.

C. Executive Sessions of Directors

At least quarterly, and at other times as they see fit, the non-employee Directors will meet in Executive Session.

D. Board Committees

The Chairperson of the Board of Directors annually appoints members to the six committees of the Board and names the committee chairpersons, subject to Board approval. Committee membership selection is based upon the talents, interests and availability of the members. The Board establishes committees under the corporate governance guidelines listed above. The current committees are shown below:

- ALCO
- Audit Committee
- CEO Performance
- Compensation Committee
- Corporate Governance Committee
- Loan and Investment Committee



CONTACT US

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