

News

October 31, 2024

Pioneer Bancorp, Inc. Reports September Quarterly Results, Net Income of \$6.3 Million

Pioneer Bancorp, Inc. ("Pioneer") (NASDAQ: PBFS), a leading financial institution in New York's Capital Region, today reported the results for the three months ended September 30, 2024. As recently announced, Pioneer has changed its fiscal year end to December 31 from June 30 and as a result of this change the three months ended September 30, 2024 is the first three months of Pioneer's six month transition period ending December 31, 2024.

Net income for the three months ended September 30, 2024 was \$6.3 million, or \$0.25 per basic and diluted share, as compared to \$3.4 million, or \$0.14 per basic and diluted share for the three months ended September 30, 2023.

Highlights

- Net loans receivable of \$1.40 billion at September 30, 2024 was up \$55.7 million, or 4.1%, from June 30, 2024.
- Non-performing assets were \$5.4 million, or 0.27% of total assets, at September 30, 2024, compared to \$9.2 million, or 0.49% of total assets, at June 30, 2024.
- Deposits of \$1.68 billion at September 30, 2024 were up \$125.0 million, or 8.1%, from June 30, 2024.
- Net interest income of \$17.9 million for the three months ended September 30, 2024 was up \$2.0 million or 12.6%, from the three months ended September 30, 2023.
- Net interest margin of 4.12% for the three months ended September 30, 2024 was up 36 basis points from the three months ended September 30, 2023.
- Noninterest income of \$4.1 million for the three months ended September 30, 2024 was up \$544,000 or 15.2%, from the three months ended September 30, 2023.

Thomas Amell, President and CEO stated, "We are pleased to report strong results for Pioneer's quarter ended September 30, 2024, highlighted by record quarterly net income of \$6.3 million. We recognize that our success is tied directly to the service that our employees provide our customers, and we remain firmly rooted in our belief that engaged employees lead to customer advocates and, ultimately, financial success for Pioneer. During the quarter we continued to grow loans and our diversified deposit base while improving our already solid net interest margin. Credit quality, liquidity and capital metrics remained strong at quarter end. We believe that our consistent focus on developing and deepening customer relationships through our strategy of being "More Than a Bank" positions Pioneer well for future opportunities and growth."

Total assets were \$2.01 billion at September 30, 2024, primarily consisting of \$1.40 billion of net loans receivable, \$262.5 million of securities available for sale and \$225.0 million of cash and cash equivalents. Deposits totaled \$1.68 billion at September 30, 2024, and the deposit base was well diversified across customer segments, consisting of approximately 47% retail, 19% commercial and 34% municipal customer relationships. Estimated uninsured deposits, net of affiliate deposits and collateralized deposits, represented 14.9% of total deposits at September 30, 2024. Total shareholders' equity was \$303.8 million at September 30, 2024. Pioneer repurchased 114,389 shares of its common stock during the quarter ended September 30, 2024 at an average price of \$10.46 per share under its previously announced stock repurchase program.

Selected highlights at and for the three months ended September 30, 2024 are as follows:

Net Interest Income and Margin

Net interest income increased \$2.0 million, or 12.6%, to \$17.9 million for the three months ended September 30, 2024 from \$15.9 million for the three months ended September 30, 2023. The increase in net interest income for the three months ended September 30, 2024 was primarily due to an increase in the average yield on interest-earning assets of 85 basis points and an increase in the average balance of interest-earning assets of \$52.6 million, partially offset by an increase in the average cost of interest-bearing liabilities of 69 basis points and an increase in the average balance of interest-bearing liabilities of \$78.7 million.

Interest income increased \$4.2 million, or 21.0%, to \$24.4 million for the three months ended September 30, 2024, from \$20.2 million for the three months ended September 30, 2023. The increase in interest income for the three months ended September 30, 2024 was driven by an increase in variable rate loan yields, as well as due to market related increases in interest rates on new loans and an asset allocation shift, using investment securities' cash flow to fund higher yielding assets.

Interest expense increased \$2.2 million to \$6.5 million for the three months ended September 30, 2024 from \$4.3 million for the three months ended September 30, 2023. The average cost of interest-bearing liabilities increased by 69 basis points to 2.35% for the three months ended September 30, 2024, compared to 1.66% for the three months ended September 30, 2023. The average cost of interest-bearing liabilities increased for the three months ended September 30, 2024 due primarily to the repricing of certain interest-bearing deposit accounts in response to changes in market interest rates and the higher interest rate environment, as well as a shift in the mix of deposits towards higher cost interest-bearing accounts.

Net interest margin increased 36 basis points to 4.12% for the three months ended September 30, 2024, compared to 3.76% for the three months ended September 30, 2023.

Asset Quality and Provision for Credit Losses

Non-performing assets were \$5.4 million, or 0.27% of total assets, at September 30, 2024, compared to \$9.2 million, or 0.49% of total assets, at June 30, 2024.

The allowance for credit losses on loans was \$21.2 million at September 30, 2024 and \$21.8 million at June 30, 2024, representing 1.49% and 1.60% of total loans outstanding, respectively.

Net recoveries were \$134,000 for the three months ended September 30, 2024, compared to net charge-offs of \$5,000 for the three months ended September 30, 2023. Annualized net recoveries were (0.04%) of average loans for the three months ended September 30, 2024, compared to annualized net charge-offs of 0.00% of average loans for the three months ended September 30, 2023.

A credit to the provision for credit losses of \$870,000 was recorded for the three months ended September 30, 2024, as compared to a provision for credit losses of \$750,000 for the three months ended September 30, 2023. The credit to the provision for credit losses for the three months ended September 30, 2024 was primarily due to improvements in asset quality, economic conditions, and net recoveries, offset in part by growth in the loan portfolio.

Noninterest Income and Noninterest Expense

Noninterest income of \$4.1 million for the three months ended September 30, 2024 increased \$544,000, or 15.2%, as compared to \$3.6 million for the three months ended September 30, 2023. The increase in noninterest income for the three months ended September 30, 2024 was primarily from a \$190,000 increase in insurance and wealth management services income, and from a \$165,000 net gain on the sale of securities available for sale. The increase in insurance and wealth management services income was primarily as a result of organic growth and positive market performance related to our wealth management services.

Noninterest expense of \$14.7 million for the three months ended September 30, 2024 increased \$284,000, or 2.0%, as compared to \$14.4 million for the three months ended September 30, 2023. The increase in noninterest expense for the three months ended September 30, 2024 was primarily due to an increase in salaries and employee benefits of \$743,000, offset in part by a decrease in professional fees of \$634,000. Salaries and employee benefits increased due to compensation expense from annual merit increases, hiring talent to fill open positions, as well as due to share-based compensation costs recognized during the three months ended September 30, 2024 for the stock awards granted during the three months ended June 30, 2024. Professional fees decreased due to lower legal fees and expenses as compared to the prior-year period.

Income Taxes

Income tax expense increased \$998,000 to \$1.9 million for the three months ended September 30, 2024 as compared to \$890,000 for the three months ended September 30, 2023 primarily due to an increase in income before income taxes. Our effective tax rate was 23.0% for the three months ended September 30, 2024 compared to 20.7% for the three months ended September 30, 2023. The increase in our effective tax rate was primarily due to the decrease in tax-exempt income for the three months ended September 30, 2024 as compared to the prior-year period.

Balance Sheet Summary

Total assets of \$2.01 billion at September 30, 2024 increased \$119.2 million, or 6.3%, from \$1.90 billion at June 30, 2024.

Net loans receivable of \$1.40 billion at September 30, 2024 increased \$55.7 million, or 4.1%, from \$1.34 billion at June 30, 2024. The increase in net loans receivable was primarily a result of growth in the residential mortgage loan portfolio which increased by \$31.2 million and commercial real estate loans which increased by \$15.2 million. Commercial and industrial loans increased by \$8.2 million, consumer loans increased by \$4.6 million and home equity loans and lines of credit increased by \$1.0 million. These increases were partially offset by a decrease in commercial construction loans of \$5.1 million.

Securities available for sale of \$262.5 million at September 30, 2024 increased \$5.1 million, or 2.0%, from \$257.4 million at June 30, 2024. The increase was primarily due to purchases of \$37.2 million, offset in part by maturities, paydowns, calls and sales of \$35.1 million during the three months ended September 30, 2024.

Deposits of \$1.68 billion at September 30, 2024 increased \$125.0 million, or 8.1%, from \$1.55 billion at June 30, 2024. By deposit category, non-interest-bearing demand accounts increased by \$92.6 million, money market accounts increased by \$37.6 million, and demand accounts increased by \$12.0 million, offset in part by a decrease in certificate of deposits of \$10.6 million and a decrease in savings accounts of \$6.6 million. The increase in non-interest-bearing demand accounts and demand accounts was primarily related to growth in municipal deposits due to seasonality. The increase in money market accounts was primarily due to growth in municipal and commercial deposits and migration of funds from non-interest bearing demand, savings and other lower rate interest-bearing accounts. The decrease in certificates of deposit was primarily due to a decrease in brokered deposits, partially offset by a migration of funds from non-interest bearing demand, savings and other lower rate interest-bearing accounts. The decrease in savings accounts was primarily related to migration of funds to higher interest-bearing accounts.

Shareholders' equity of \$303.8 million at September 30, 2024 increased \$7.3 million, or 2.5%, from \$296.5 million at June 30, 2024 primarily as a result of net income of \$6.3 million and an increase in accumulated other comprehensive income of \$1.7 million, partially offset by the repurchase of common stock of \$1.2 million. Pioneer Bank, National Association ("Pioneer Bank") has consistently maintained regulatory capital ratios measurably above the federal "well capitalized" standard, including a Tier 1 (leverage) capital to average assets ratio of 12.13% at September 30, 2024.

Stock Repurchase

On May 21, 2024, Pioneer announced that it had adopted a stock repurchase program for up to approximately 5% of its outstanding common stock, or 1,298,883 shares of its common stock. This is Pioneer's first stock repurchase program since completing its mutual holding company reorganization and related stock offering. Pioneer repurchased 114,389 shares of its common stock during the quarter ended September 30, 2024 at an average price of \$10.46 per share under this stock repurchase program. As of September 30, 2024, there were 1,078,108 shares available for repurchase under this program.

Completion of Pioneer Commercial Bank Merger

On September 16, 2024, the Office of the Comptroller of the Currency (the "OCC") approved the merger of Pioneer Commercial Bank with and into Pioneer Bank with Pioneer Bank as the resulting entity (the "Commercial Bank Merger"). The Commercial Bank Merger closed on October 1, 2024. Following the completion of the Commercial Bank Merger, Pioneer Bank now directly offers full municipal deposit banking services which were previously provided through Pioneer Commercial Bank.