UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31 , 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _ to

Commission file number 001-36192

Civista Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Ohio	**34-1558688**
State or other jurisdiction of incorporation or organization	**(IRS Employer Identification No.)**

100 East Water Street , Sandusky , Ohio 44870
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (419) 625 - 4121

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value	**CIVB**	**The NASDAQ Stock Market LLC (NASDAQ Capital Market)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based upon the closing market price as of June 30, 2023 was $

265,931,434

. For this purpose, shares held by non-affiliates include all outstanding common shares except those beneficially owned by the directors and executive officers of the registrant.

As of February 20, 2024, there were

15,687,162

common shares, no par value, of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2023 (the "2023 Annual Report") are incorporated by reference into Parts I and II of this Form 10-K. Portions of the registrant's Proxy Statement for the registrant's 2024 Annual Meeting of Shareholders to be held on April 16, 2024 (the "2024 Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

INDEX

Part I		
Item 1.	Business	3
Item 1A.	Risk Factors	17
Item 1B.	Unresolved Staff Comments	28
Item 1C.	Cybersecurity	28
Item 2.	Properties	29
Item 3.	Legal Proceedings	29
Item 4.	Mine Safety Disclosures	29
Part II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	30
Item 6.	Reserved	31
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	32
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	46
Item 8.	Financial Statements and Supplementary Data	49
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	121
Item 9A.	Controls and Procedures	121
Item 9B.	Other Information	121
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	121
Part III		
Item 10.	Directors, Executive Officers and Corporate Governance	122
Item 11.	Executive Compensation	122
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	122
Item 13.	Certain Relationships and Related Transactions, and Director Independence	122
Item 14.	Principal Accountant Fees and Services	122
Part IV		
Item 15.	Exhibits and Financial Statement Schedules	123
Item 16	Form 10-K Summary	125
Signatures		126

PART I

Item 1. Business

General Development of Business

CIVISTA BANCSHARES, INC. (“CBI”) was organized under the laws of the State of Ohio on February 19, 1987 and is a registered financial holding company under the Gramm-Leach-Bliley Act of 1999, as amended (the “GLBA”). CBI’s office is located at 100 East Water Street, Sandusky, Ohio. CBI and its subsidiaries are sometimes referred to together as the “Company”. The Company had total consolidated assets of $3,861,418 at December 31, 2023.

CIVISTA BANK (“Civista”), owned by the Company since 1987, opened for business in 1884 as The Citizens National Bank. In 1898, Civista was reorganized under Ohio banking law and was known as The Citizens Bank and Trust Company. In 1908, Civista surrendered its trust charter and began operation as The Citizens Banking Company. The name Civista Bank was introduced during the first quarter of 2015 to solidify our dual Citizens/Champaign brand and distinguish ourselves from the many other banks using the “Citizens” name in our existing and prospective markets. Civista maintains its main office at 100 East Water Street, Sandusky, Ohio and operates branch banking offices in the following Ohio communities: Sandusky (2), Norwalk (2), Berlin Heights, Huron, Port Clinton, Castalia, New Washington, Shelby (2), Willard, Greenwich, Plymouth, Shiloh, Akron, Dublin, Plain City, Russells Point, Urbana (2), West Liberty, Quincy, Dayton (3), Beachwood, Gahanna, Napoleon (3), Malinta, Liberty Center, Holgate, Bowling Green, and in the following Indiana communities: Lawrenceburg (3), Aurora, West Harrison, Milan, Osgood and Versailles. Civista also operates loan production offices in Westlake, Ohio and Fort Mitchell, Kentucky and a leasing company office in Pittsburgh, Pennsylvania. Civista and its consolidated subsidiaries as discussed below, accounted for 99.5% of the Company’s consolidated assets at December 31, 2023.

FIRST CITIZENS INSURANCE AGENCY, INC. (“FCIA”) was formed as a wholly owned subsidiary of CBI to allow the Company to participate in commission revenue generated through its third party insurance agreement. Assets of FCIA were not significant as of December 31, 2023.

WATER STREET PROPERTIES, INC. (“WSP”) was formed as a wholly owned subsidiary of CBI to hold properties repossessed by CBI subsidiaries. Assets of WSP were not significant as of December 31, 2023.

FIRST CITIZENS INVESTMENTS, INC. (“FCI”) was formed in 2007 as a wholly owned subsidiary of Civista to hold and manage its securities portfolio. The operations of FCI are located in Wilmington, Delaware.

FIRST CITIZENS CAPITAL LLC (“FCC”) was also formed in 2007 as a wholly owned subsidiary of Civista to hold inter-company debt that is eliminated in consolidation. The operations of FCC were discontinued December 31, 2021 as a result of inactivity.

CIVISTA LEASING & FINANCING (“CLF”) formerly known as Vision Financial Group, Inc. ("VFG") was acquired in the fourth quarter of 2022 as a wholly owned subsidiary of Civista. Effective as of August 31, 2023, VFG was merged with and into Civista, and CLF is now operated as a full-service general equipment leasing and financing division of Civista. The operations of CLF are located in Pittsburgh, Pennsylvania.

CIVB RISK MANAGEMENT, INC. (“CRMI”), a wholly owned subsidiary of CBI which was formed and began operations on December 26, 2017, is a Delaware-based captive insurance company which insures against certain risks unique to the operations of the Company and for which insurance may not be currently available or economically feasible in today’s insurance marketplace. CRMI pools resources with several other similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among themselves. CRMI is subject to regulations of the State of Delaware and undergoes periodic examinations by the Delaware Division of Insurance.

Acquisition of Comunibanc Corp.

On July 1, 2022, CBI completed the acquisition by merger of Comunibanc Corp. in a stock and cash transaction for aggregate consideration of approximately $46,090. Immediately following the merger, Comunibanc Corp.’s banking subsidiary, The Henry County Bank, was merged into Civista. At the time of the merger, Comunibanc Corp. had total consolidated assets of $315,083, including $175,500 in loans, and $271,081 in deposits. As a result of the merger, we acquired seven offices of Comunibanc Corp. in the Ohio communities of Napoleon (3), Malinta, Holgate, Liberty Center, and Bowling Green.

Acquisition of Vision Financial Group

On October 3, 2022, CBI and Civista completed the acquisition by Civista of all of the issued and outstanding shares of capital stock of VFG for aggregate cash and stock consideration of approximately $46,544. Prior to the acquisition, VFG was a privately held, independent, full-service equipment leasing and financing company headquartered in Pittsburgh, Pennsylvania. At the time of the acquisition, VFG had total assets of $93,870, including $62,712 in loans and leases. As a result of the acquisition, VFG became a wholly-owned subsidiary of Civista. Effective as of August 31, 2023, VFG was merged with and into Civista, and is now operated as the CLF division of Civista.

CBI is a financial holding company. Through its subsidiaries, including Civista, the Company is primarily engaged in the business of community banking, which accounts for substantially all of its revenue, operating income and assets. Refer to the Consolidated Financial Statements on pages 26 through 31 of the 2023 Annual Report for additional information.

Narrative Description of Business

General

The Company's primary business is incidental to the subsidiary bank and its subsidiaries. Civista, through its locations in the Ohio counties of Erie, Crawford, Champaign, Cuyahoga, Franklin, Huron, Logan, Madison, Montgomery, Ottawa, Richland, Henry, Wood and Summit, in the Indiana counties of Dearborn and Ripley and in the Kentucky county of Kenton, conducts a general banking business that involves collecting customer deposits, making loans, purchasing securities, and offering Trust services. Civista also engages in a general equipment leasing and financing business through its, CLF division, which was acquired in October 2022.

Interest and fees on loans accounted for 73% of total revenue for 2023, 69% of total revenue for 2022, and 69% of total revenue for 2021. The Company's primary focus of lending continues to be real estate loans, both residential and commercial in nature. Commercial real estate loans comprised 54% of the total loan portfolio in 2023, 55% of the total loan portfolio in 2022, and 56% of the total loan portfolio in 2021. Residential real estate mortgage loans comprised 23% of the total loan portfolio in 2023, 22% of the total loan portfolio in 2022 and 22% of the total loan portfolio in 2021. Commercial and agriculture loans comprised 11% of the total loan portfolio in 2023, 11% in 2022, and 12% in 2021. Civista's loan portfolio does not include any foreign-based loans, loans to lesser-developed countries or loans to CBI or its other subsidiaries.

On a parent company only basis, CBI's primary source of funds is the receipt of dividends paid by its subsidiaries, principally Civista. The ability of Civista to pay dividends is subject to limitations under various laws and regulations and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, Civista may declare a dividend without the approval of the State of Ohio Division of Financial Institutions (the "ODFI") unless the total of the dividends in a calendar year exceeds the total net profits of the bank for the year combined with the retained profits of the bank for the two preceding years. At December 31, 2023, Civista had $56,886 of accumulated net profits available to pay dividends to CBI without approval of the ODFI.

The Company's business is not seasonal, nor is it dependent on a single or small group of customers.

Business Strategy

The Company's strategy is to compete for business by providing high quality, personal service to customers, enhanced local presence and customer access to our decision-makers, rapid decision-making, and competitive interest rates and fees. We develop and maintain business relationships by taking on leadership roles in our communities through the involvement of our experienced commercial and retail bankers, management team and Board of Directors. We believe we will continue to drive growth and increase profitability, while maintaining our high level of asset quality, by doing the following:

Expand Relationships in Our Communities

We emphasize relationship banking by maintaining and growing our customers and contacts with personal interaction by our bankers and management teams in the communities that we serve. We strive to do this by offering a full suite of competitive banking products through efficient and varied delivery channels tailored to the needs of our customers and potential customers. Civista, through its Civista Wealth Management division, also offers investment and advisory solutions. Our approach is personalized and focused on what our clients need. We provide individuals, families, business and non-profits with personalized investment management, 401-(k) advisory services for employers, financial planning, trust services, and tailored lending.

Core Deposit Growth

We plan to continue to focus on growing our core, commercial operating and retail, non-maturity deposit base with an emphasis on relationship banking. Our business model focuses on gaining the majority of our customers' banking relationships by implementing many best practices for community banks, including personalized service and technology. We believe that these generate "stickier" deposit accounts with larger average balances than might be attracted otherwise. From time to time we also use pricing techniques in our efforts to attract banking relationships having larger than average balances.

Leverage Our Residential Mortgage Banking Infrastructure

We seek to leverage our mortgage banking infrastructure to support the origination of residential mortgage loans for sale into the secondary market. Mortgage loan originations and sales activity are strategies utilized to support growth in our non-interest income, while also serving to help manage the Company's exposure to interest rate risk through the sale of longer-duration, fixed-rate loans into the secondary market.

Improve Our Operating Efficiency

Expense discipline is a key strategy to improve operating efficiency and contribute to earnings growth. We also strive to operate more efficiently by incorporating technology into our client offerings.

Maintain Robust Capital and Liquidity Levels

The Company's capital position provides a source of strength and continues to significantly exceed all regulatory capital guidelines as demonstrated by the December 31, 2023 Tier 1 Leverage ratios of the Company and Civista of 8.8 percent and 10.0 percent, respectively. We plan to continue to maintain robust capital reserves.

In addition to our robust capital levels, we maintain significant sources of both on- and off-balance sheet liquidity and plan to continue to do so. At December 31, 2023, our liquid assets included $60.4 million of short-term cash and equivalents supplemented by $618.3 million of investment securities classified as available for sale which can be readily sold or pledged as collateral, if necessary. In addition, we had the capacity to borrow additional funds totaling $426.8 million from the Federal Home Loan Bank of Cincinnati at December 31, 2023.

Ensure the Adequacy of Our Allowance *for* ***Credit*** *Losses*

Despite the economic implications and challenges resulting from the COVID-19 pandemic on our business over the past four years, our reserve levels have remained adequate with total allowance amounting to $37.2 million at December 31, 2023.

Market Area and Competition

At December 31, 2023, our primary market area consisted of the counties in which we currently operate branches, and loan production offices, including Erie, Crawford, Champaign, Cuyahoga, Franklin, Huron, Logan, Madison, Montgomery, Ottawa, Richland, Henry, Wood and Summit Counties in Ohio, Dearborn and Ripley Counties in Indiana and Kenton County in Kentucky. Our lending is concentrated in these markets and our predominant sources of deposits are the communities in which our offices are located as well as the neighboring communities.

The banking business is highly competitive. We face substantial competition both in attracting deposits and in originating loans and commercial equipment leasing. We compete with numerous financial institutions, including large regional financial institutions, community banks, thrifts and credit unions operating without our market area. Nontraditional sources of competition for loan and deposit dollars come from captive auto finance companies, mortgage banking companies, internet banks, brokerage companies, insurance companies, business leasing and finance companies and direct mutual funds. As a result of their size, resources and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer, as well as higher lending limits, which may adversely affect the ability of Civista to compete.

Products and Services

We offer a broad range of deposit and loan products and other banking services. These include personal and commercial checking accounts, retirement accounts, money market accounts, time and savings accounts, safe deposit boxes, wire transfers, access to automated teller services, internet banking, ACH origination, telephone banking, and mobile/digital banking. Civista also offers remote deposit capture banking for both retail and business customers, providing the ability to electronically scan and transmit checks for deposit.

Time deposits consist of certificates of deposit, including those held in IRA accounts. Reciprocal deposits are offered through Civista's participation in the Certificate of Deposit Account Registry Service® (CDARS) and Insured Cash Sweep (ICS) programs offered through IntraFi, LLC. Customers who are Federal Deposit Insurance Corporation ("FDIC") insurance sensitive are able to place large dollar deposits with Civista and Civista uses either outlet to place those funds into certificates of deposit or money markets issued by other banks in the IntraFi Network. This occurs in increments of less than the FDIC insurance limits so that both the principal and interest are eligible for complete FDIC insurance coverage. The FDIC currently considers these funds as brokered deposits.

We offer commercial and personal loans on a secured and unsecured basis, revolving lines of credit, commercial mortgage loans, and residential mortgage loans on both primary and secondary residences, home equity loans, bridge loans and other personal purpose loans. However, we are not and have not historically been a participant in the sub-prime lending market.

Commercial loans are loans made for business purposes and are primarily secured by collateral such as cash balances with Civista, business assets including accounts receivable, inventory and equipment, and liens on commercial real estate.

Construction loans are loans to finance the construction of commercial or residential properties secured by first liens on such properties. Commercial real estate loans include loans secured by first liens on completed commercial properties, including multi-family properties, to purchase or refinance such properties. Residential mortgages include loans secured by first liens on residential real estate to purchase or refinance primary and secondary residences. Home equity loans and lines of credit include loans secured by first or second liens on residential real estate for primary or secondary residences.

Consumer loans are made to individuals who qualify for auto loans, cash reserve, and installment loans. Our consumer loan portfolio includes unsecured overdraft lines of credit and personal loans as well as loans secured by savings accounts and certificates of deposit with Civista.

Our portfolio lending activities include the origination of one- to four-family first mortgage loans, primarily in our designated market area. The fixed-rate residential mortgage loans that we originate for portfolio generally meet the secondary mortgage market standards. As a complement to our residential one- to four-family portfolio lending activities, we operate a mortgage banking platform which supports the origination of one- to four-family mortgage loans that generally meet the secondary mortgage market standards. Such loans are generally originated by and sourced from the same resources and markets as those loans originated and held in our portfolio.

Through our equipment leasing and financing business operated by our CLF division, which was acquired as a who1ly-owned subsidiary of Civista in October 2022, we offer commercial equipment leasing services for businesses nationwide.

Through our Civista Wealth Management division we offer investment advisory services to individuals, families, businesses and non-profits with personalized investment management, 401(k) advisory services for employers, financial planning, and trust services.

Human Capital Resources

Our employees are vital to our success in the financial services industry. As a human-capital intensive business, the long-term success of our Company depends on our people. Our goal is to ensure that we have the right talent, in the right place, at the right time. We do that through our commitment to attracting, developing and retaining our employees.

We strive to attract individuals who are people-focused and share our values. We have a comprehensive program dedicated to selecting new talent and enhancing the skills of our employees. In our recruiting efforts, we strive to have a diverse group of candidates to consider for our roles. To that end, we have strong relationships with a variety of industry associations that represent diverse professionals and partner with schools in the communities we serve to offer internship opportunities to students interested in the financial industry.

We have designed a compensation structure that we believe is attractive to our current and prospective employees. We also offer our employees the opportunity to participate in a variety of professional and leadership development programs. Our programs include a variety of industry, product, technical, professional, business development, leadership and regulatory topics. These programs are available online and in-person. In addition, we encourage all employees to be involved in the communities we serve through various volunteer activities.

We seek to retain our employees by using their feedback to create and continually enhance programs that support their needs. We use company-wide surveys to solicit feedback from our employees. We have a formal annual goal setting and performance review process for our employees. We promote a values-based culture, an important factor in retaining our employees. Our training, to share and communicate our culture to all employees, plays an important part in this process. We are committed to having a diverse workforce, and an inclusive work environment is a natural extension of our culture. We are committed to ensuring that all our employees feel welcomed, valued, respected and heard so that they can fully contribute their unique talents for the benefit of our customers, their careers, our Company and our communities. We have established a Diversity, Equity and Inclusion Council (“DEI Council”). This Company-wide diversity and inclusion advisory council stewards the Company’s efforts and provides guidance on priorities. The DEI Council is composed of employees from all areas of our Company and locations where we operate.

We monitor and evaluate various turnover and attrition metrics throughout our organization. Our annualized voluntary turnover is relatively low, as is the case for turnover of our top performers, a record which we attribute to our strong values-based culture, commitment to career development, and attractive compensation and benefit programs.

Civista employs approximately 532 full-time equivalent employees to whom a variety of benefits are provided. CBI has no employees. CBI and its subsidiaries are not parties to any collective bargaining agreements. Management considers its relationship with its employees to be good.

Supervision and Regulation

CBI and its subsidiaries are subject to extensive supervision and regulation by federal and state agencies. The regulation of financial holding companies and their subsidiaries is intended primarily for the protection of consumers, depositors, borrowers, the Deposit Insurance Fund (the “DIF”) and the banking system as a whole, and not for the protection of shareholders. Applicable laws and regulations restrict permissible activities and investments and require actions to protect loan, deposit, brokerage, fiduciary and other customers, as well as the DIF. These laws and regulations also may restrict the ability of CBI to pay dividends to its shareholders, to repurchase its common shares or to receive dividends from Civista, and impose capital adequacy and liquidity requirements.

The following is a summary of the regulatory agencies that supervise and regulate CBI and Civista and the statutes and regulations that have, or could have, a material impact on the Company’s business. This discussion is qualified in its entirety by reference to such statutes and regulations. The statutes and regulations applicable to the Company are continually under review by the United States Congress and state legislatures and federal and state regulatory agencies, and a change in statutes, regulations or regulatory policies applicable to the Company could have a material effect on the Company’s business.

The Bank Holding Company Act: As a financial holding company, CBI is subject to regulation under the Bank Holding Company Act of 1956, as amended (the “BHCA”), and the examination and reporting requirements of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). Under the BHCA, CBI is subject to periodic examination by the Federal Reserve Board and is required to file periodic reports regarding its operations and any additional information that the Federal Reserve Board may require. The Federal Reserve Board also has extensive enforcement authority over financial and bank holding companies, including the ability to assess civil money penalties, issue cease and desist and removal orders, and require that a financial or bank holding company divest subsidiaries, including its subsidiary banks.

Under applicable law and Federal Reserve Board policy, a financial or bank holding company is expected to act as a source of strength to each of its subsidiary banks. The Federal Reserve Board may require a financial or bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to shareholders if the Federal Reserve Board believes the payment of such dividends would be an unsafe or unsound practice.

The BHCA generally limits the activities of a bank holding company to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries and engaging in any other activities that the Federal Reserve Board has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident to those activities. In addition, the BHCA requires every bank holding company to obtain the approval of the Federal Reserve Board prior to acquiring all or substantially all of the assets of any bank or another financial or bank holding company, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank not already majority-owned by it, or merging or consolidating with another financial or bank holding company.

In April 2020, the Federal Reserve Board adopted a final rule to revise its regulations related to determinations of whether a company has the ability to exercise a controlling influence over another company for purposes of the BHCA. The final rule expands and codifies the presumptions for use in such determinations. By codifying the presumptions, the final rule provides greater transparency on the types of relationships that the Federal Reserve Board generally views as supporting a facts-and-circumstances determination that one company controls another company. The Federal Reserve Board's final rule applies to questions of control under the BHCA, but does not extend to the Change in Bank Control Act.

Federal Reserve System: The Federal Reserve Board requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. In response to the COVID-19 pandemic, the Federal Reserve Board reduced reserve requirement rations to 0% effective on March 26, 2020, to support lending to households and businesses. The reserve requirement ratio remained at 0% as of December 31, 2023.

Gramm-Leach-Bliley Act ("GLBA"): The GLBA permits qualifying bank holding companies to elect to become financial holding companies and thereby affiliate with securities firms and insurance companies and engage in other activities that are financial in nature if (i) the holding company is well capitalized and well managed and (ii) each of the holding company's subsidiary banks is well capitalized under the FDIC's Deposit Insurance Corporation Act of 1991 prompt corrective action provisions, is well managed, and has at least a satisfactory rating under the Community Reinvestment Act (the "CRA"). In March, 2000, CBI became a financial holding company. No regulatory approval is required for a financial holding company to acquire a company, other than a bank or a savings association, engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board.

The GLBA defines "financial in nature" to include:

- securities underwriting, dealing and market making;
- sponsoring mutual funds and investment companies;
- insurance underwriting and agency;
- merchant banking; and
- activities that the Federal Reserve Board has determined to be closely related to banking.

If a financial holding company or a subsidiary bank fails to maintain all requirements for the holding company to maintain financial holding company status, material restrictions may be placed on the activities of the financial holding company and its subsidiaries and on the ability of the holding company to enter into certain transactions and obtain regulatory approvals for new activities and transactions. The financial holding company could also be required to divest of subsidiaries that engage in activities that are not permitted for bank holding companies that are not financial holding companies. If restrictions are imposed on the activities of a financial holding company, the existence of such restrictions may not be made publicly available pursuant to confidentiality regulations of the bank regulatory agencies.

Transactions with Affiliates, Directors, Executive Officers and Shareholders: Transactions between Civista and its affiliates, including CBI, are subject to Sections 23A and 23B of the Federal Reserve Act, and Federal Reserve Board Regulation W, which generally limit the extent to which Civista may engage in "covered transactions" with affiliates and require that the terms of such transactions be the same, or at least as favorable, to Civista as the terms provided in a similar transaction between Civista and an unrelated party. The term "covered transaction" includes the making of loans to an affiliate, the purchase of assets from an affiliate, the issuance of a guarantee on behalf of an affiliate, the purchase of securities issued by an affiliate and other similar types of transactions.

A bank’s authority to extend credit to executive officers, directors and greater than 10% shareholders, as well as entities such persons control, is subject to Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O promulgated thereunder by the Federal Reserve Board. Among other things, these loans must be made on terms (including interest rates charged and collateral required) substantially similar to those offered to unaffiliated individuals or be made as part of a benefit or compensation program and on terms widely available to employees, and must not involve a greater than normal risk of repayment. In addition, the amount of loans a bank may make to these affiliated persons is based, in part, on the bank’s capital position, and specified approval procedures must be followed in making loans which exceed specified amounts.

Federal Deposit Insurance Corporation (“FDIC”): The FDIC is an independent federal agency which insures the deposits of federally-insured banks and savings associations up to certain prescribed limits and safeguards the safety and soundness of financial institutions. The general insurance limit is $250,000 per separately insured depositor. This insurance is backed by the full faith and credit of the United States Government.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by insured institutions, including Civista, to prohibit any insured institution from engaging in any activity the FDIC determines to pose a threat to the DIF, and to take enforcement actions against insured institutions. The FDIC may terminate insurance of deposits of any institution if the FDIC finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or other regulatory agency.

The FDIC assesses a quarterly deposit insurance premium on each insured institution based on risk characteristics of the insured institution to the DIF, with institutions deemed less risky paying lower rates. Currently, assessments for institutions with less than $10 billion of total assets are based on financial measures and supervisory ratings derived from statistical models that estimate the probability of failure within three years. The FDIC may increase or decrease the range of assessments uniformly, except that no adjustments can deviate more than two basis points from the base assessment without notice and comment rule making. The FDIC may also impose special assessments in emergency situations. The premiums fund the DIF. Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), the FDIC has established 2.0% as the designated reserve ratio (“DRR”), which is the amount in the DIF as a percentage of all DIF insured deposits. In March 2016, the FDIC adopted final rules designed to meet the statutory minimum DRR of 1.35% by September 30, 2020, the deadline imposed by the Dodd-Frank Act. The Dodd-Frank Act requires the FDIC to offset the effect on insured institutions with assets of less than $10 billion of the increase in the statutory minimum DRR to 1.35% from the former statutory minimum of 1.15%. Although the FDIC's rules reduced assessment rates on all banks, they imposed a surcharge on banks with assets of $10 billion or more to be paid until the DRR reached 1.35%. The DRR met the statutory minimum of 1.35% on September 30, 2018. As a result, the previous surcharge imposed on banks with assets of $10 billion or more was lifted. In addition, preliminary assessment credits have been determined by the FDIC for banks with assets of less than $10 billion, which had previously contributed to the increase of the DRR to 1.35%. On June 30, 2019, the DRR reached 1.40%, and the FDIC applied credits for banks with assets of less than $10 billion ("small bank credits") beginning September 30, 2019. As of June 30, 2020, the DRR fell below the minimum DRR to 1.30%. As a result, the FDIC adopted a restoration plan requiring the restoration of the DRR to 1.35% within eight years (September 30, 2028). The FDIC rules further changed the method of determining risk-based assessment rates for established banks with less than $10 billion in assets to better ensure that banks taking on greater risks pay more for deposit insurance than banks that take on less risk. In the FDIC's most recent semiannual update for the Amended Restoration Plan in November 2023, the FDIC noted that increased loss provisions associated with the failures of Silicon Valley Bank, Signature Bank and First Republic Bank in 2023 that reduced the DIF balance, coupled with strong growth in insured deposits, resulted in the reserve ratio declining 15 basis points from 1.25% as of December 31, 2022 to 1.10% as of June 30, 2023. Despite the decline in the reserve ratio, the FDIC staff projected that the reserve ratio remains on track to reach the statutory minimum of 1.35% ahead of the deadline of September 30, 2028. As a result, the FDIC staff recommended no changes to the Amended Restoration Plan and all scheduled assessment rates were maintained.

On November 16, 2023, the FDIC adopted a final rule implementing a special assessment to recover the loss to the DIF arising from the protection of uninsured depositors following the failures of Silicon Valley Bank and Signature Bank. The assessment base for the special assessment is equal to an insured depository institution's estimated uninsured deposits reported for the quarter ended December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits. The FDIC will collect the special assessment at an annual rate of approximately 133.4 basis points, over eight quarterly assessment periods, beginning with the first quarter of 2024. Because Civista's uninsured deposits were less than $5 billion for the quarter ended December 31, 2022, Civista will not be subject to this special assessment.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that poses a serious threat to the insurance fund and may initiate enforcement actions against a bank, after first giving the institution's primary regulatory authority an opportunity to take such action. The FDIC may also terminate the deposit insurance of any institution that has engaged in or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, order or condition imposed by the FDIC.

Consumer Financial Protection Bureau: The Dodd-Frank Act established the Consumer Financial Protection Bureau (the "CFPB"), which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent unfair, deceptive and abusive acts or practices and seeks to ensure consistent enforcement of laws so that consumers have access to fair, transparent and competitive markets for consumer financial products and services. Since it was established the CFPB has exercised extensive rulemaking and interpretive authority.

Consumer Protection Laws and Regulations: Banks are subject to regular examination to ensure compliance with federal consumer protection statutes and regulations, including, but not limited to, the following:

- The Equal Credit Opportunity Act (prohibiting discrimination in any credit transaction on the basis of any of various criteria);
- The Truth in Lending Act (requiring that credit terms are disclosed in a manner that permits a consumer to understand and compare credit terms more readily and knowledgeably);
- The Fair Housing Act (making it unlawful for a lender to discriminate in its housing-related lending activities against any person on the basis of certain criteria);
- The Home Mortgage Disclosure Act (requiring financial institutions to collect data that enables regulatory agencies to determine whether financial institutions are serving the housing credit needs of the communities in which they are located); and
- The Real Estate Settlement Procedures Act (requiring that lenders provide borrowers with disclosures regarding the nature and cost of real estate settlements and prohibits abusive practices that increase borrowers' costs).

The banking regulators also use their authority under the Federal Trade Commission Act to take supervisory or enforcement action with respect to unfair or deceptive acts or practices by banks that may not necessarily fall within the scope of a specific banking or consumer finance law.

Community Reinvestment Act: The CRA requires depository institutions to assist in meeting the credit needs of their market areas, including low- and moderate-income areas, consistent with safe and sound banking practice. Under this Act, each institution is required to adopt a statement for each of its market areas describing the depository institution's efforts to assist in its community's credit needs. Depository institutions are periodically examined for compliance and assigned one of four ratings: outstanding, satisfactory, needs improvement, or substantial noncompliance. The rating assigned to a financial institution is considered in connection with various applications submitted by a financial institution or its holding company to its banking regulators, including applications to acquire another financial institution or to open a new branch office. In addition, all subsidiary banks of a financial holding company must maintain a satisfactory or outstanding rating in order for the financial holding company to avoid limitations on its activities. Civista received a rating of "satisfactory in its most recent CRA examination.

On October 24, 2023, the federal banking agencies, including the Federal Reserve Board, issued a final rule designed to strengthen and modernize the regulations implementing the CRA. The changes are designed to encourage banks to expand access to credit, investment and banking services in low- and moderate-income communities, adapt to changes in the banking industry, including mobile and internet banking, provide greater clarity and consistency in the application of the CRA regulations, and tailor CRA evaluations and data collection to bank size and type. The applicability date for the majority of the changes to the CRA regulations is January 1, 2026, and additional requirements will be applicable on January 1, 2027. The Company cannot predict the impact the changes to the CRA will have on its operations at this time.

Economic Growth, Regulatory Relief and Consumer Protection Act: On May 25, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Regulatory Relief Act") was enacted, which repealed or modified certain provisions of the Dodd-Frank Act and eased restrictions on all but the largest banks (those with consolidated assets in excess of $250 billion). Bank holding companies with consolidated assets of less than $100 billion, including CBI, are no longer subject to enhanced prudential standards. The Regulatory Relief Act also relieves bank holding companies and banks with consolidated assets of less than $100 billion, including CBI and Civista, from certain record-keeping, reporting and disclosure requirements. Certain other regulatory requirements applied only to banks with consolidated assets in excess of $50 billion and so did not apply to CBI or Civista even before the enactment of the Regulatory Relief Act.

Patriot Act and Anti-Money Laundering: The Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “Patriot Act”) gives the United States government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Title III of the Patriot Act encourages information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions. Among other requirements, Title III and related regulations require regulated financial institutions to establish a program specifying procedures for obtaining identifying information from customers seeking to open new accounts and establish enhanced due diligence policies, procedures and controls designed to detect and report suspicious activity. Civista has established policies and procedures that Civista believes comply with the requirements of the Patriot Act.

The Anti-Money Laundering Act of 2020 (the “AMLA”), which amends the Bank Secrecy Act of 1970 (the “BSA”), was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement-related and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower initiatives and protections.

Office of Foreign Assets Control Regulation. The U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. Civista is responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Securities and Exchange Commission ("SEC") and The Nasdaq Stock Market LLC ("Nasdaq"): CBI is also under the jurisdiction of the SEC and certain state securities commissions for matters relating to the offering and sale of its securities. CBI is subject to the registration, disclosure, reporting and regulatory requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the regulations promulgated under each of the Securities Act and the Exchange Act, as administered by the SEC. CBI’s common shares are listed with Nasdaq under the symbol "CIVB" and CBI is subject to the rules for Nasdaq listed companies.

Corporate Governance: As mandated by the Sarbanes-Oxley Act of 2002, the SEC has adopted rules and regulations governing, among other matters, corporate governance, auditing and accounting, executive compensation and enhanced and timely disclosure of corporate information. Nasdaq has also adopted corporate governance rules. The Board of Directors of the Company has taken a series of actions to strengthen and improve the Company’s governance practices in light of the rules of the SEC and Nasdaq. The Board of Directors has adopted charters for the Audit Committee, the Compensation Committee, the the Nominating Committee and the Board Risk Committee, as well as a Code of Conduct (Ethics) applicable to all directors, officers and employees of the Company. Copies of the Code of Conduct and the Audit, Compensation, and Nominating Committee charters can be found on the Company’s website at www.civb.com by first clicking “Corporate Overview” and then “Governance Documents”. In addition, in accordance with Section 302(a) of the Sarbanes-Oxley Act, written certifications by CBI’s Chief Executive Officer and Chief Financial Officer are required. These certifications attest that CBI’s quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact. See Item 9A “Controls and Procedures” in Part II of this Form 10-K for CBI’s evaluation of its disclosure controls and procedures.

Regulation of Bank Subsidiary: As an Ohio chartered bank, Civista is subject to supervision and regulation by the ODFI. In addition, Civista is a member of the Federal Reserve System and, therefore, is subject to supervision and regulation by the Federal Reserve Board. Civista is subject to periodic examinations by both ODFI and the Federal

Reserve Board. These examinations are designed primarily for the protection of the depositors of the bank and not shareholders.

Banking subsidiaries of financial and bank holding companies are also subject to federal regulation regarding such matters as reserves, limitations on the nature and amount of loans and investments, issuance or retirement of its own securities, limitations on the payment of dividends and other aspects of banking operations.

Regulatory Capital Requirements: The Federal Reserve Board has adopted risk-based guidelines for financial holding companies and other bank holding companies as well as state member banks, and the FDIC has adopted risk-based capital guidelines for state non-member banks. The guidelines provide a systematic analytical framework which makes regulatory capital requirements sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures expressly into account in evaluating capital adequacy, and minimizes disincentives to holding liquid, low-risk assets. Capital levels as measured by these standards are also used to categorize financial institutions for purposes of certain prompt corrective action regulatory provisions.

In July 2013, the United States banking regulators issued new capital rules applicable to smaller banking organizations which also implement certain of the provisions of the Dodd-Frank Act (the “Basel III Capital Rules”). Community banking organizations, including CBI and Civista, began transitioning to the new rules on January 1, 2015. The new minimum capital requirements became effective on January 1, 2015, whereas a new capital conservation buffer and deductions from common equity capital phased in from January 1, 2016 through January 1, 2019, and most deductions from common equity tier 1 capital phased in from January 1, 2015 through January 1, 2019.

The Basel III Capital Rules include (a) a minimum common equity tier 1 capital ratio of 4.5%, (b) a minimum Tier 1 capital ratio of 6.0%, (c) a minimum total capital ratio of 8.0%, and (d) a minimum leverage ratio of 4.0%.

Common equity for the common equity tier 1 capital ratio generally includes common stock (plus related surplus), retained earnings, accumulated other comprehensive income (unless an institution elects to exclude such income from regulatory capital), and limited amounts of minority interests in the form of common stock, subject to applicable regulatory adjustments and deductions.

Tier 1 capital generally includes common equity as defined for the common equity tier 1 capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus, trust preferred securities that have been grandfathered (but which are not permitted going forward), and limited amounts of minority interests in the form of additional Tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, generally consists of other preferred stock and subordinated debt meeting certain conditions plus limited amounts of the allowance for loan and lease losses, subject to specified eligibility criteria, less applicable deductions.

The deductions from common equity tier 1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization’s own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels).

Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of several risk weights is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The Basel III Capital Rules also place restrictions on the payment of capital distributions, including dividends, and certain discretionary bonus payments to executive officers if the banking organization does not hold a capital conservation buffer of greater than 2.5 percent composed of common equity tier 1 capital above its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5 percent at the beginning of the quarter.

In September 2019, the Federal Reserve Board, along with other federal bank regulatory agencies, issued a final rule, effective January 1, 2020, that gave community banks, including the Company, the option to calculate a simple leverage ratio to measure capital adequacy if the community banks met certain requirements. Under the rule, a community bank is eligible to elect the Community Bank Leverage Ratio ("CBLR") framework if it had less than $10 billion in total consolidated assets, limited amounts of certain assets and off-balance sheet exposures, and a leverage ratio greater than 9.0%. Qualifying institutions that elected to use the CBLR framework (each, a “CBLR Bank”) and that maintain a leverage ratio of greater than 9.0% will be considered to have satisfied the risk-based and leverage capital requirements in the regulatory agencies' generally applicable capital rules and to have met the well-capitalized ratio requirements. No CBLR Bank was required to calculate or report risk-based capital, and each CBLR Bank could opt out of the framework at any time, without restriction, by reverting to the generally applicable risk-based capital rule. Pursuant to the CARES Act, on August 26, 2020, the federal banking agencies adopted a final rule that temporarily lowered the CBLR threshold and provided a gradual transition back to the prior level. Specifically, the CBLR threshold was reduced to 8.0% for the remainder of 2020, increased to 8.5% for 2021, and returned to 9.0% on January 1, 2022. This final rule became effective on October 1, 2020. The Company did not utilize the CBLR in assessing capital adequacy and, instead, continued to follow existing capital rules. The adoption of CECL resulted in an increase to our total allowance for credit losses ("ACL") on loans held for investment of $4.3 million, an increase in allowance for credit losses on unfunded loan commitments of $3.4 million, a reclassification of PCI discount from loans to the ACL of $1.7 million, and an increase in deferred tax asset of $1.6 million. The Company also recorded a net reduction of retained earnings of $6.1 million upon adoption.

In December 2018, the federal banking agencies issued a final rule to address regulatory capital treatment of credit loss allowances under the current expected credit loss ("CECL") model (accounting standard). The rule revises the federal banking agencies' regulatory capital rules to identify which credit loss allowances under the CECL model are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in over three years the day-one adverse effects on regulatory capital that may result from the adoption of the CECL model.

At December 31, 2023, both CBI and Civista were in compliance with all of the regulatory capital requirements to which they are subject. For CBI's and Civista's capital ratios, see Note 19 to the Company's 2022 Consolidated Financial Statements.

The Federal Reserve Board has adopted regulations governing prompt corrective action to resolve the problems of capital deficient and otherwise troubled state-chartered member banks. At each successively lower defined capital category, a bank is subject to more restrictive and numerous mandatory or discretionary regulatory actions or limits, and the Federal Reserve Board has less flexibility in determining how to resolve the problems of the institution. In addition, the Federal Reserve Board generally can downgrade a bank's capital category, notwithstanding its capital level, if, after notice and opportunity for hearings, the bank is deemed to be engaged in an unsafe or unsound practice, because it has not corrected deficiencies that resulted in it receiving a less than satisfactory examination rating on matters other than capital or it is deemed to be in an unsafe or unsound condition. Civista's capital at December 31, 2023, met the standards for the highest capital category, a "well-capitalized" bank.

Federal Reserve Board regulations also limit the payment of dividends by Civista to CBI. Civista may not pay a dividend if it would cause Civista not to meet its capital requirements. In addition, the dividends that Civista may pay to CBI without prior approval of the Federal Reserve Board is limited to net income for the year plus its retained net income for the preceding two years.

Volcker Rule

In December 2013, five federal agencies adopted a final regulation implementing the Volcker Rule provision of the Dodd-Frank Act (the "Volcker Rule"). The Volcker Rule places limits on the trading activity of insured depository institutions and entities affiliated with a depository institution, subject to certain exceptions. The trading activity includes a purchase or sale as principal of a security, derivative, commodity future or option on any such instruments in order to benefit from short-term price movements or to realize short-term profits. The Volcker Rule exempted specified U.S. Government, agency and/or municipal obligations, and it excepts trading conducted in certain capacities, including as a broker or other agent, through a deferred compensation or pension plan, as a fiduciary on behalf of customers, to satisfy a debt previously contracted, repurchase and securities lending agreements and risk-mitigating hedging activities.

The Volcker Rule also prohibits a banking entity from having an ownership interest in, or substantial relationships with, a hedge fund or private equity fund, also known as "covered funds," with a number of exceptions. To the extent that Civista engages in any of the trading activities or has any ownership interest in or relationship with any of the types of funds regulated by the Volcker Rule, Civista believes that its activities and relationships fall within the scope of one or more of the exceptions provided in the Volcker Rule.

In July 2019, the five federal bank regulatory agencies that adopted the Volcker Rule adopted a final rule to exempt certain community banks, including Civista, from the Volcker Rule, consistent with the Regulatory Relief Act. Under the final rule, community banks with $10 billion or less in total consolidated assets and total trading assets and liabilities of 5.0% or less of total consolidated assets were excluded from the restrictions of the Volcker Rule. On June 25, 2020, the federal bank regulatory agencies also finalized a rule modifying the Volcker Rule’s prohibition on banking entities investing in or sponsoring covered funds. Such rule permits certain banking entities to offer financial services and engage in other activities that do not raise concerns that the Volcker Rule was originally intended to address.

Non-Banking Subsidiaries. The Company’s non-banking subsidiaries are also subject to regulation by the Federal Reserve Board and other applicable federal and state agencies. FCIA, as a licensed insurance agency, is subject to regulation by the Ohio Department of Insurance and the state insurance regulatory agencies of those states where it conducts business. CRMI, as a Delaware-chartered captive insurance company, is subject to the laws and regulations of the State of Delaware and undergoes periodic examinations by the Delaware Division of Insurance.

Executive and Incentive Compensation

The Dodd-Frank Act requires that the federal banking agencies, including the Federal Reserve Board and the FDIC, issue a rule related to incentive-based compensation. No final rule implementing this provision of the Dodd-Frank Act has, as of the date of the filing of this Annual Report on Form 10-K, been adopted, but a proposed rule was published in 2016 that expanded upon a prior proposed rule published in 2011. The proposed rule is intended to: (i) prohibit incentive-based payment arrangements that the banking agencies determine could encourage certain financial institutions to take inappropriate risks by providing excessive compensation or that could lead to material financial loss; (ii) require the board of directors of those financial institutions to take certain oversight actions related to incentive-based compensation; and (iii) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. Although a final rule has not been issued, the Company has undertaken efforts to ensure that the Company’s incentive compensation plans do not encourage inappropriate risks, consistent with the principles identified above.

In June 2010, the Federal Reserve Board, the Office of the Comptroller (the "OCC") and the Federal Deposit Insurance Corporation (the "FDIC") issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. These three principles are incorporated into the proposed joint compensation regulations under the Dodd-Frank Act, described above.

The Federal Reserve Board reviews, as part of its respective regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as CBI and Civista, that are not “large, complex banking organizations.” These reviews are tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Public company compensation committee members must meet heightened independence requirements and consider the independence of compensation consultants, legal counsel and other advisors to the compensation committee. A compensation committee must have the authority to hire advisors and to have the public company fund reasonable compensation of such advisors.

Following the adoption of additional listing requirements in 2023 to comply with the Dodd-Frank Act and rules adopted by the SEC in October 2022, public companies will be required, once stock exchanges impose additional listing requirements under the Dodd-Frank Act and rules adopted by the SEC in October 2022, to adopt and implement "clawback" policies for incentive compensation payments and to disclose the details of the procedures which allow recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating a restatement due to material noncompliance with financial reporting requirements. This clawback policy is intended to apply to compensation paid within the three completed fiscal years immediately preceding the date the issuer is required to prepare a restatement and would cover all executives who received incentive awards. The Company has implemented a clawback policy and it is posted under the “Corporate Overview” tab on the “Governance Documents” page of CBI’s Internet website.

SEC regulations require public companies such as CBI to provide various disclosures about executive compensation in annual reports and proxy statements and to present to their shareholders a non-binding vote on the approval of executive compensation.

Financial Privacy Provisions: Federal and state regulations limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Civista is also subject to regulatory guidelines establishing standards for safeguarding customer information. These guidelines describe the federal bank regulatory agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

Cybersecurity

In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish several lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing Internet-based services of the financial institution. The other statement indicates that a financial institution’s management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the financial institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the financial institution or its critical service providers fall victim to this type of cyber-attack. If Civista fails to observe the regulatory guidance, it could be subject to various regulatory sanctions, including financial penalties.

In February 2018, the SEC published interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. These SEC guidelines, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

In November 2021, the OCC, the Federal Reserve Board and the FDIC issued a final rule which became effective in May 2022, requiring banking organizations that experience a computer-security incident to notify certain entities. A computer-security incident occurs when actual or potential harm to the confidentiality, integrity, or availability of an information system or the information occurs, or there is a violation or imminent threat of a violation to banking security policies and procedures. The affected bank must notify its respective federal regulator of the computer-security incident that rises to the level of a notification incident has occurred. These notifications are intended to promote early awareness of threats to banking organizations and will help banks react to those threats before they manifest into larger incidents. This rule also requires bank service providers to notify their bank organization customers of a computer-security incident that has caused, or is reasonably likely to cause, a material service disruption or degradation for four or more hours.

Furthermore, the Cyber Incident Reporting for Critical Infrastructure Act, enacted in March 2022, will require, once administrative rules are adopted, certain covered entities, including those in the financial services industry, to report a covered cyber incident to the U.S. Department of Homeland Security’s Cybersecurity & Infrastructure Security Agency (“CISA”) within 72 hours after it reasonably believes an incident has occurred. Separate reporting to CISA will also be required within 24 hours if a ransom payment is made as a result of a ransomware attack.

On July 26, 2023, the SEC adopted final rules that require public companies to promptly disclose material cybersecurity incidents in a Current Report on Form 8-K and detailed information regarding their cybersecurity risk management, strategy, and governance on an annual basis in an Annual Report on Form 10-K. Companies are required to report on Form 8-K any cybersecurity incident they determine to be material within four business days of making that determination. See Item 1C "Cybersecurity" in Part 1 of this Form 10-K. These SEC rules, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. The Company expects this trend of state-level activity in those areas to continue, and is continually monitoring developments in the states in which our customers are located.

In the ordinary course of business, the Company relies on electronic communications and information systems to conduct its operations and to store sensitive data. The Company employs an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. The Company employs a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of the Company's defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, the Company has not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, the Company's systems and those of its customers and third-party service providers are under constant threat and it is possible that the Company could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers.

Effect of Environmental Regulation

Compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had a material effect upon the capital expenditures, earnings or competitive position of the Company. In the opinion of management, the Company does not have exposure to material costs associated with compliance with environmental laws and regulations or material expenditures related to environmental hazardous waste mitigation or cleanup.

The Company believes its primary exposure to environmental risk is through the lending activities of Civista. In cases where management believes environmental risk potentially exists, Civista mitigates its environmental risk exposure by requiring environmental site assessments at the time of loan origination to confirm collateral quality as to commercial real estate parcels posing higher than normal potential for environmental impact, as determined by reference to present and past uses of the subject property and adjacent sites. In addition, environmental assessments are typically required prior to any foreclosure activity involving non-residential real estate collateral.

Effects of Government Monetary Policy

The earnings of the Company are affected by general and local economic conditions and by the policies of various governmental regulatory authorities. In particular, the Federal Reserve Board regulates money and credit conditions and interest rates to influence general economic conditions, primarily through open market acquisitions or dispositions of United States Government securities, varying the discount rate on member bank borrowings and setting reserve requirements against member and nonmember bank deposits. Federal Reserve Board monetary policies have had a significant effect on the interest income and interest expense of commercial banks, including Civista, and are expected to continue to do so in the future.

Available Information

CBI maintains an Internet website at www.civb.com (this uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate CBI's website into this Annual Report on Form 10-K). CBI makes available free of charge on or through its Internet website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as CBI's definitive proxy statements filed pursuant to Section 14 of the Exchange Act, as soon as reasonably practicable after CBI electronically files such material with, or furnishes it to, the SEC. Copies of documents filed by CBI with the SEC are also available free of charge at the SEC's website at www.sec.gov.

Item 1A. Risk Factors

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), relating to such matters as financial condition, anticipated operating results, cash flows, business line results, credit quality expectations, prospects for new lines of business, economic trends (including interest rates) and similar matters. Forward-looking statements reflect our expectations, estimates or projections concerning future results or events. These statements are generally identified by the use of forward-looking words or phrases such as “believe,” “belief,” “expect,” “anticipate,” “may,” “could,” “intend,” “intent,” “estimate,” “plan,” “foresee,” “likely,” “will,” “should” or other similar words or phrases. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks, uncertainties and assumptions that are difficult to predict and could cause our actual results, performance or achievements to differ materially from those expressed in or implied by the forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements, and the purpose of this section is to secure the use of the safe harbor provisions.

Forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those factors and events identified in the risk factors set forth below. There is also the risk that the Company’s management or Board of Directors incorrectly analyzes these risks and uncertainties or that the strategies the Company develops to address them are unsuccessful. The forward-looking statements included in this report are only made as of the date of this report, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on the Company’s behalf are qualified in their entirety by the following cautionary statements.

RISK FACTORS

The following sets forth certain risk factors that we are believe are relevant to the Company and its business. These risk factors are not presented in any particular order and do not constitute all of the risks that may affect our business. Additional risks that are not presently known or that we currently deem to be immaterial could also have a material adverse impact on our business, financial condition, or results of operations.

ECONOMIC AND POLITICAL RISKS

CHANGES IN ECONOMIC AND POLITICAL CONDITIONS COULD ADVERSELY AFFECT OUR EARNINGS THROUGH DECLINES IN DEPOSITS, LOAN DEMAND, THE ABILITY OF OUR CUSTOMERS TO REPAY LOANS AND THE VALUE OF THE COLLATERAL SECURING OUR LOANS.

Our success depends to a significant extent upon local and national economic and political conditions, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy, an increasing federal government budget deficit, the failure of the federal government to raise the federal debt ceiling and/or possible future U.S. government shutdowns over budget disagreements, slowing gross domestic product, tariffs, a U.S. withdrawal from or significant renegotiation of trade agreements, trade wars, and other factors beyond our control may adversely affect Civista’s deposit levels and composition, the quality of investment securities available for purchase, demand for loans, the ability of Civista’s borrowers to repay their loans, and the value of the collateral securing loans made by Civista. Disruptions in U.S. and global financial markets, and changes in oil production in the Middle East also affect the economy and stock prices in the U.S., which can affect our earnings capital, as well as the ability of Civista’s customers to repay loans. Because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral and our ability to sell the collateral upon foreclosure. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings and cash flows.

ADVERSE CHANGES IN THE REAL ESTATE MARKET COULD CAUSE INCREASES IN DELINQUENCIES AND NON-PERFORMING ASSETS, INCLUDING ADDITIONAL LOAN CHARGE-OFFS, AND COULD DEPRESS OUR INCOME, EARNINGS AND CAPITAL.

At December 31, 2023, approximately 23.1% and 53.8%, respectively, of our loan portfolio was comprised of residential and commercial real estate loans. Adverse changes in economic conditions both nationally and in the communities we serve may cause deterioration to the value of real estate Civista uses to secure its loans. Adverse changes in the economy, deterioration of our real estate portfolio, a decrease in real estate values, an increase in unemployment, decreased or nonexistent housing price appreciation or increases in interest rates could reduce our earnings and consequently our financial condition because borrowers may not be able to repay their loans. The value of the collateral securing our loans and the quality of our loan portfolio may decline and customers may not want or need our products and services.

Any of these scenarios could cause us to make fewer loans, increase delinquencies and non-performing assets, require us to charge off a higher percentage of our loans or result in additional increases to our provision for credit losses in future periods, which could adversely affect our business, financial condition and results of operations.

CHANGES IN INTEREST RATES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR NET INTEREST INCOME.

Our results of operations are affected principally by net interest income, which is the difference between interest earned on loans and investments and interest expense paid on deposits and other borrowings. We cannot predict or control changes in interest rates. National, regional and local economic conditions and the policies of regulatory authorities, including monetary policies of the Board of Governors of the Federal Reserve System, affect the movement of interest rates and our interest income and interest expense. If the interest rates paid on deposits and other borrowed funds increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowed funds.

In addition, certain assets and liabilities may react in different degrees to changes in market interest rates. For example, interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while interest rates on other types may lag behind. Some of our assets, such as adjustable rate mortgages, have features that restrict changes in their interest rates, including rate caps.

We believe that the impact on our cost of funds from a rise in interest rates will depend on a number of factors, including but not limited to, the competitive environment in the banking sector for deposit pricing, opportunities for clients to invest in other markets such as fixed income and equity markets, and the propensity of customers to invest in their businesses. The effect on our net interest income from an increase in interest rates will ultimately depend on the extent to which the aggregate impact of loan re-pricings exceeds the impact of increases in our cost of funds.

Changes in interest rates may affect the level of voluntary prepayments on our loans and may also affect the level of financing or refinancing by customers. Changes in interest rates may also negatively affect the ability of the Company’s borrowers to repay their loans, particularly as interest rates rise and adjustable rate loans become more expensive.

Interest rates are highly sensitive to many factors that are beyond our control. Some of these factors include:

- inflation;
- recession;
- unemployment;
- money supply;
- international disorders; and
- instability in domestic and foreign financial markets.

The Company’s management uses various measures to monitor interest rate risk and believes it has implemented effective asset and liability management strategies to reduce the potential adverse effects of changes in interest rates on the Company’s financial condition and results of operations. Management also periodically adjusts the mix of assets and liabilities to manage interest rate risk. However, any significant, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

See the discussion under "Quantitative and Qualitative Disclosures About Market Risk” on pages 17 through 18 of the Annual Report for additional information related to the Company’s interest rate risk.

A TRANSITION AWAY FROM LIBOR AS A REFERENCE RATE FOR FINANCIAL CONTRACTS COULD NEGATIVELY IMPACT OUR INCOME AND EXPENSES AND THE VALUE OF VARIOUS FINANCIAL CONTRACTS.

LIBOR was used extensively in the United States and globally for many years as a benchmark for various commercial and financial contracts, including adjustable rate mortgages, corporate debt, interest rate swaps and other derivatives. LIBOR is set based on interest rate information reported by certain banks. In the U.S., as a result of efforts to identify a set of alternative U.S. dollar reference interest rates the Alternative Reference Rate Committee (“ARRC”) recommended the use of a Secured Overnight Funding Rate (“SOFR”) as the set of alternative U.S. dollar reference interest rates. SOFR is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate.

These differences could lead to a greater disconnect between our costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, ARRC has also recommended Term SOFR, which is a forward looking SOFR based on SOFR futures and may in part reduce differences between SOFR and LIBOR. There are operational issues which may create a delay in the transition to SOFR or other substitute indices, leading to uncertainty across the industry. These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans, and other financial obligations or extensions of credit.

The Company’s primary exposure to LIBOR was related to its promissory notes with borrowers, swap contracts with clients and offsetting swap contracts with third parties related to the swap contracts with clients. As of July 2023, all promissory notes and swap contracts were transitioned to SOFR.

RISKS RELATED TO OUR BUSINESS OPERATIONS

WE ARE EXPOSED TO OPERATIONAL RISK.

We are exposed to many types of operational risk, including reputational risk, legal and compliance risk, cybersecurity risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses, cyber-attacks, spikes in transaction volume and/or customer activity, electrical or telecommunications outages, or natural disasters. Although we have programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality, integrity and availability of our systems, business applications and customer information, such disruptions may give rise to interruptions in service to customers, loss of data privacy and loss or liability to us. Any failure or interruption in our operations or information systems, or any security or data breach, could cause reputational damage, jeopardize the confidentiality of customer information, result in a loss of customer business, subject us to regulatory intervention or expose us to civil litigation and financial loss or liability, any of which could have a material adverse effect on us.

Given the volume of transactions we process, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process our transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages), which may give rise to disruption of service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors’) consumer compliance, business continuity and data security systems prove to be inadequate.

Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, social media and other marketing activities, the implementation of environmental, social and governance (ESG) practices, and from actions taken by governmental regulators and community organizations in response to any of the foregoing activities. Negative public opinion could adversely affect our ability to attract and keep customers, could expose us to potential litigation and regulatory action, and could have a material adverse effect on the price of our common shares or result in heightened volatility of our stock price.

UNAUTHORIZED DISCLOSURE OF SENSITIVE OR CONFIDENTIAL CLIENT INFORMATION OR BREACHES IN SECURITY OF OUR SYSTEMS, COULD SEVERELY HARM OUR BUSINESS.

As part of our financial institution business, we collect, process and store sensitive consumer data by utilizing computer systems and telecommunications networks operated by both us and third-party service providers. Our necessary dependence upon automated systems to record and process transactions poses the risk that technical system flaws, employee errors, tampering or manipulation of those systems, or attacks by third parties will result in losses and may be difficult to detect. We have security and backup and recovery systems in place, as well as a business continuity plan, to ensure the computer systems will not be inoperable, to the extent possible. The Company also routinely reviews documentation of such controls and backups related to third-party service providers. Our inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of our business operations. In recent years, some banks have experienced denial of service attacks in which individuals or organizations flood the bank's website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions. Other businesses have been victims of ransomware attacks in which the business becomes unable to access its own information and is presented with a demand to pay a ransom in order to once again have access to its information.

We could be adversely affected if one of our employees or a third-party service provider causes a significant operational break-down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. We are further exposed to the risk that our third-party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risks as faced by us). These disruptions may interfere with service to our customers, cause additional regulatory scrutiny and result in a financial loss or liability. We are also at risk of the impact of natural disasters, terrorism and international hostilities on our systems and effects of outages or other failures involving power or communications systems operated by others.

Misconduct by employees could include fraudulent, improper or unauthorized activities on behalf of clients or improper use of confidential information. We may not be able to prevent employee errors or misconduct, and the precautions we take to detect this type of activity might not be effective in all cases. Employee errors or misconduct could subject us to civil claims for negligence or regulatory enforcement actions, including fines and restrictions on our business.

In addition, there have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. Although we have policies and procedures in place to verify the authenticity of our customers, we cannot assure that such policies and procedures will prevent all fraudulent transfers. Such activity can result in financial liability and harm to our reputation.

We have implemented security controls to prevent unauthorized access to the computer systems, and we require our third-party service providers to maintain similar controls. However, we cannot be certain that these measures will be successful. A security breach of our computer systems and loss of confidential information, such as customer account numbers and related information, could result in a loss of customers' confidence and, thus, loss of business. While Civista maintains specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under our cyber insurance coverage.

Further, we may be impacted by data breaches at retailers and other third parties who participate in data interchanges with us and our customers that involve the theft of customer credit and debit card data, which may include the theft of our debit card personal identification numbers (PINs) and commercial card information used to make purchases at such retailers and other third parties. Such data breaches could result in us incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on our results of operations.

There can be no assurance that we will not suffer such cyber-attacks or other information security breaches or attempted breaches, incur resulting losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, and our plans to continue to implement internet and mobile banking capabilities to meet customer demand. As cyber and other data security threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance its protective measures or to investigate and remediate any security vulnerabilities.

Our assets at risk for cyber-attacks include financial assets and non-public information belonging to customers. We use several third-party vendors who have access to our assets via electronic media. Certain cyber security risks arise due to this access, including cyber espionage, blackmail, ransom, and theft.

All of the types of cyber incidents discussed above could result in damage to our reputation, loss of customer business, costs of incentives to customers or business partners in order to maintain their relationships, litigation, increased regulatory scrutiny and potential enforcement actions, repairs of system damage, increased investments in cybersecurity (such as obtaining additional technology, making organizational changes, deploying additional personnel, training personnel and engaging consultants), increased insurance premiums, and loss of investor confidence and a reduction in the price of our common shares, all of which could result in financial loss and material adverse effects on our results of operations and financial condition.

NONCOMPLIANCE WITH THE BANK SECRECY ACT (BSA) AND OTHER ANTI-MONEY LAUNDERING STATUTES AND REGULATIONS COULD CAUSE A MATERIAL FINANCIAL LOSS.

The BSA and the Patriot Act contain anti-money laundering and financial transparency provisions intended to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The BSA, as amended by the Patriot Act and the AMLA, requires depository institutions and their holding companies to undertake activities including maintaining an anti-money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. Financial Crimes Enforcement Network (also known as FinCEN), a unit of the Treasury Department that administers the BSA, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the federal bank regulatory agencies, as well as the U.S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws, which includes a codified risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement-related and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control (also known as OFAC). If the Company’s policies, procedures, and systems are deemed deficient, or if the policies, procedures, and systems of the financial institutions that the Company has already acquired or may acquire in the future are deficient, the Company may be subject to liability, including fines and regulatory actions such as restrictions on the Company’s ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain planned business activities, including acquisition plans, which could negatively impact our business, financial condition, and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for the Company.

OUR BUSINESS COULD BE ADVERSELY AFFECTED THROUGH THIRD PARTIES WHO PERFORM SIGNIFICANT OPERATIONAL SERVICES ON OUR BEHALF.

The third parties performing operational services for the Company are subject to risks similar to those faced by the Company relating to cybersecurity, breakdowns or failures of their own systems, or misconduct of their employees. Like many other community banks, Civista also relies, in significant part, on a single vendor for the systems which allow Civista to provide banking services to Civista’s customers, for which the systems are maintained on Civista’s behalf by this single vendor.

One or more of the third parties utilized by us may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by such third party. Certain of these third parties may have limited indemnification obligations to us in the event of a cybersecurity event or operational disruption, or may not have the financial capacity to satisfy their indemnification obligations.

Financial or operational difficulties of a third party provider could also impair our operations if those difficulties interfere with such third party’s ability to serve the Company. If a critical third-party provider is unable to meet the needs of the Company in a timely manner, or if the services or products provided by such third party are terminated or otherwise delayed and if the Company is not able to develop alternative sources for these services and products quickly and cost-effectively, our business could be materially adversely effected.

Additionally, regulatory guidance adopted by federal banking regulators addressing how banks select, engage and manage their third-party relationships, affects the circumstances and conditions under which we work with third parties and the cost of managing such relationships.

STRONG COMPETITION WITHIN OUR MARKET AREA MAY REDUCE OUR ABILITY TO ATTRACT AND RETAIN DEPOSITS AND ORIGINATE LOANS.

We face competition both in originating loans and in attracting deposits within our market area, which includes North Central, West Central and South Western Ohio, South Eastern Indiana and Northern Kentucky. We compete for clients by offering personal service and competitive rates on our loans and deposit products. The type of institutions we compete with include large regional financial institutions, community banks, thrifts and credit unions operating within our market areas. Nontraditional sources of competition for loan and deposit dollars come from captive auto finance companies, mortgage banking companies, internet banks, brokerage companies, insurance companies and direct mutual funds. As a result of their size and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer. We expect competition to remain intense in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. In addition, to stay competitive in our markets we may need to adjust the interest rates on our products to match the rates offered by our competitors, which could adversely affect our net interest margin. As a result, our profitability depends upon our continued ability to successfully compete in our market areas while achieving our investment objectives.

OUR ALLOWANCE FOR CREDIT LOSSES MAY PROVE TO BE INSUFFICIENT TO ABSORB POTENTIAL LOSSES IN OUR LOAN PORTFOLIO.

We maintain an allowance for credit losses that we believe is a reasonable estimate of known and inherent losses within the loan portfolio. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. Through a periodic review and consideration of the loan portfolio, management determines the amount of the allowance for credit losses by considering general market conditions, the credit quality of the loan portfolio, the collateral supporting the loans and the performance of customers relative to their financial obligations with us. However, every loan we make carries a risk of non-payment. This risk is affected by, among other things, cash flow of the borrower and/or the project being financed, changes and uncertainties as to the future value of the collateral securing such loan, the credit history of the particular borrower, changes in economic and industry conditions, and the duration of the loan.

The amount of future losses is also susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and these losses may exceed current estimates. We cannot fully predict the amount or timing of losses or whether the allowance for credit losses will be adequate in the future. If our assumptions prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance, which would adversely affect our earnings. Excessive loan losses and significant additions to our allowance for credit losses could have a material adverse impact on our financial condition and results of operations.

In addition, bank regulators periodically review our allowance for credit losses and may require us to increase our allowance for credit losses or recognize further loan charge-offs. Moreover, the Financial Accounting Standards Board ("FASB") has changed its requirements for establishing the allowance for credit losses.

On June 16, 2016, the FASB issued Accounting Standard Update ("ASU") 2016-13 "Financial Instruments - Credit Losses", which replaces the incurred loss model with an expected loss model, and is referred to as the current expected credit loss ("CECL") model. Under the incurred loss model, loans are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. Under the CECL model, financial institutions are required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan. The transition to the CECL model requires significantly greater data requirements and changes to methodologies to accurately account for expected losses under the new parameters. If the methodologies and assumptions that we use in the CECL model are proven to be incorrect, or inadequate, the allowance for credit losses may not be sufficient, resulting in the need for additional allowance for credit losses to be established, which could have a material adverse impact on our financial condition and results of operations. The new CECL accounting guidance is effective for annual reporting periods and interim reporting periods within those annual periods, beginning after December 15, 2019. However, the FASB deferred the effective date for this ASU for smaller reporting companies, such as the Company, at the time, to annual reporting periods and interim reporting periods within those annual periods, beginning after December 15, 2022. The Company adopted ASU 2016-13 effective January 1, 2023 and, upon adoption, recognized a one-time cumulative effect adjustment (increase) to the retained earnings upon adoption in the first quarter of 2023 of $6,069.

If real estate markets or the economy in general deteriorate, Civista may experience increased delinquencies and credit losses. The allowance for credit losses may not be sufficient to cover actual loan-related losses. Additionally, banking regulators may require Civista to increase its allowance for credit losses in the future, which could have a negative effect on Civista's financial condition and results of operations. Additions to the allowance for credit losses will result in a decrease in net earnings and capital and could hinder our ability to grow our assets.

Any increase in our allowance for credit losses or loan charge-offs as required by these regulatory authorities could have a material adverse effect on our financial condition and results of operations.

THE SMALL TO MEDIUM SIZED BUSINESSES THAT WE LEND TO MAY HAVE FEWER RESOURCES TO WEATHER ADVERSE BUSINESS CONDITIONS, WHICH MAY IMPAIR THEIR ABILITY TO REPAY LOANS, AND SUCH IMPAIRMENT COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our business development and marketing strategies primarily result in us serving the banking and financial services needs of small to medium-sized businesses. These businesses generally have fewer financial resources in terms of capital or borrowing capacity than larger entities, frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small to medium-sized business often depends on the management skills, talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loans. If general economic conditions negatively impact Ohio, Indiana or the specific markets in these states in which we operate and small to medium-sized businesses are adversely affected or our borrowers are otherwise affected by adverse business conditions, our business, financial condition and results of operations could be adversely affected.

OUR BUSINESS AND FINANCIAL RESULTS ARE SUBJECT TO RISKS ASSOCIATED WITH THE CREDITWORTHINESS OF OUR CUSTOMERS AND COUNTERPARTIES.

Credit risk is inherent in the financial services business and results from, among other things, extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks, particularly given the high percentage of our assets represented directly or indirectly by loans, and the importance of lending to our overall business. We manage credit risk by assessing and monitoring the creditworthiness of our customers and counterparties and by diversifying our loan portfolio. Many factors impact credit risk.

A borrower's ability to repay a loan can be adversely affected by individual factors, such as business performance, job losses or health issues. A weak or deteriorating economy and changes in the United States or global markets also could adversely impact the ability of our borrowers to repay outstanding loans. Any decrease in our borrowers' ability to repay loans would result in higher levels of nonperforming loans, net charge-offs, and provision for loan losses.

Despite maintaining a diversified loan portfolio, in the ordinary course of business, we may have concentrated credit exposure to a particular person or entity, industry, region or counterparty. Events adversely affecting specific customers, industries, regions or markets, a decrease in the credit quality of a customer base or an adverse change in the risk profile of a market, industry, or group of customers could adversely affect us.

Our credit risk may be exacerbated when collateral held by us to secure obligations to us cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due us.

Due in part to improvement in local and general economic conditions, as well as actions we have taken to manage our loan portfolio, our provision for credit losses has declined since the end of the 2007-2008 financial crisis. However, if we experience higher levels of provision for loan losses in the future, our net income could be negatively affected.

WE RELY HEAVILY ON OUR MANAGEMENT TEAM, AND THE UNEXPECTED LOSS OF KEY MANAGEMENT MAY ADVERSELY AFFECT OUR OPERATIONS.

Our success to date has been strongly influenced by our ability to attract and to retain senior management experienced in banking in the markets we serve. Our ability to retain executive officers and the current management teams will continue to be important to successful implementation of our strategies. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

WE DEPEND UPON THE ACCURACY AND COMPLETENESS OF INFORMATION ABOUT CUSTOMERS AND OTHER PARTIES.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information provided to us by customers and other parties, including financial statements and other financial information. We may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, we may assume that the customer’s audited financial statements conform with accounting principles generally accepted in the United States and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We may also rely on the audit report covering those financial statements. Our financial condition and results of operations could be negatively impacted to the extent we rely on financial statements that do not comply with generally accepted accounting principles or that are materially misleading, or on other financial information that is incomplete or materially misleading.

ACQUISITIONS OR OTHER EXPANSION MAY ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULT OF OPERATIONS.

In the future, we may acquire other financial institutions or branches or assets of other financial institutions. We may also open new branches, enter into new lines of business, or offer new products or services. Any future acquisition or expansion of our business, will involve a number of expenses and risks, which may include some or all of the following:

- the time and expense associated with identifying and evaluating potential acquisitions or expansions;
- the potential inaccuracy of estimates and judgments used to evaluate credit, operations, management and market risk with respect to target institutions;
- the time and costs of evaluating new markets, hiring local management and opening new offices, and the delay between commencing these activities and the generation of profits from the expansion;
- any financing required in connection with an acquisition or expansion;
- the diversion of management’s attention to the negotiation of a transaction and the integration of the operations and personnel of the combining businesses;
- entry into unfamiliar markets and the introduction of new products and services into our existing business;
- the possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on our results of operations; and
- the risk of loss of key employees and customers.

We may incur substantial costs to expand, and we can give no assurance that such expansion will result in the levels of profits we expect. Neither can we assure that integration efforts for any future acquisitions will be successful. We may issue equity securities in connection with acquisitions, which could dilute the economic and voting interests of our existing shareholders.

LEGISLATIVE, LEGAL AND REGULATORY RISKS

LEGISLATIVE OR REGULATORY CHANGES OR ACTIONS COULD ADVERSELY IMPACT OUR BUSINESS.

The financial services industry is extensively regulated. We are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of our operations. These laws and regulations are primarily intended for the protection of consumers, depositors, borrowers and the deposit insurance fund, not to benefit our shareholders.

Regulations affecting banks and financial services businesses are undergoing continuous change and management cannot predict the effect of those changes. While such changes are generally intended to lessen the regulatory burden on financial institutions, the impact of any changes to laws and regulations or other actions by regulatory agencies could adversely affect our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on the operation of an institution and the ability to determine the adequacy of an institution's allowance for loan losses. Failure to comply with applicable laws, regulations and policies could result in sanctions being imposed by the regulatory agencies, including the imposition of civil money penalties, which could have a material adverse effect on our operations and financial condition. Even the reduction of regulatory restrictions could have an adverse effect on us if such lessening of restrictions increases competition within our industry or market areas.

DEPOSIT INSURANCE PREMIUMS MAY INCREASE AND HAVE A NEGATIVE EFFECT ON THE COMPANY'S RESULTS OF OPERATIONS.

The DIF maintained by the FDIC to resolve bank failures is funded by fees assessed on insured depository institutions. The costs of resolving bank failures increased for a period of time and decreased the DIF. The FDIC collected a special assessment in 2009 to replenish the DIF and also required a prepayment of an estimated amount of future deposit insurance premiums. If the costs of future bank failures increase, the deposit insurance premiums required to be paid by Civista may also increase. The FDIC recently adopted rules revising its assessments in a manner benefitting banks with assets totaling less than $10 billion. There can be no assurance, however, that assessments will not be changed in the future.

WE ARE SUBJECT TO EXAMINATIONS AND CHALLENGES BY TAX AUTHORITIES.

In the normal course of business, we are routinely subject to examinations and challenges from federal and state tax authorities regarding positions taken regarding their respective tax returns. State tax authorities have become increasingly aggressive in challenging tax positions taken by financial institutions, especially those positions relating to tax compliance and calculation of taxes subject to apportionment. Any challenge or examination by a tax authority may result in adjustments to the timing or amount of taxable net worth or taxable income, or deductions or the allocation of income among tax jurisdictions.

Management believes it has taken appropriate positions with respect to all tax returns and does not anticipate that any examination would have a material impact on our Consolidated Financial Statements. However, the outcome of such examinations and ultimate resolution of any resulting assessments are inherently difficult to predict. Thus, no assurance can be given that our tax liability for any tax year open to examination will be as reflected in our current and historical Consolidated Financial Statements.

ACCOUNTING CHANGES COULD IMPACT OUR REPORTED FINANCIAL CONDITION OR RESULTS OF OPERATIONS.

The accounting standard setters, including the Financial Accounting Standards Board (the FASB), the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our consolidated financial statements. The pace of change continues to accelerate and changes in accounting standards can be hard to predict and could materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively, resulting in the restatement of prior period financial statements.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make significant estimates that affect the financial statements. Due to the inherent nature of these estimates, actual results may vary materially from management's estimates. In June 2016, FASB issued a new accounting standard for recognizing current expected credit losses, commonly referred to as CECL. CECL will result in earlier recognition of credit losses and requires consideration of not only past and current events but also reasonable and supportable forecasts that affect collectability. The Company adopted CECL effective January 1, 2023. Upon adoption of CECL, credit loss allowances have increased, which have decreased retained earnings and regulatory capital. While the federal banking regulators adopted rules that allow banks to phase in the day-one impact of CECL on regulatory capital over three years, Civista Bank did not choose to phase in the impact. ASU 2016-13 implementation poses operational risk, including the failure to properly transition internal processes or systems, which could lead to call report errors, financial misstatements, or operational losses.

WE MAY BE THE SUBJECT OF LITIGATION WHICH COULD RESULT IN LEGAL LIABILITY AND DAMAGE TO OUR BUSINESS AND REPUTATION.

From time to time, we may be subject to claims or legal action from customers, employees or others. Financial institutions like CBI and Civista are facing a growing number of significant class actions, including those based on the manner of calculation of interest on loans and the assessment of overdraft fees. Future litigation could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We are also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and other agencies regarding our business. These matters also could result in adverse judgments, settlements, fines, penalties, injunctions or other relief. Like other large financial institutions, we are also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations and/or cause significant reputational harm to our business.

WE COULD FACE LEGAL AND REGULATORY RISK ARISING OUT OF OUR RESIDENTIAL MORTGAGE BUSINESS.

Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in the business of mortgage and home equity loan lending and servicing and in the mortgage-related insurance and reinsurance industries. We could face the risk of class actions, other litigation and claims from: the owners of or purchasers of such loans originated or serviced by us, homeowners involved in foreclosure proceedings or various mortgage-related insurance programs, downstream purchasers of homes sold after foreclosure, title insurers, and other potential claimants. Included among these claims are claims from purchasers of mortgage and home equity loans seeking the repurchase of loans where the loans allegedly breached origination covenants and representations and warranties made to the purchasers in the purchase and sale agreements. The CFPB has issued new rules for mortgage origination and mortgage servicing. Both the origination and servicing rules create new private rights of action for consumers against lenders and servicers in the event of certain violations.

<u>RISKS RELATED TO OUR CAPITAL AND STOCK</u>

WE MAY ELECT OR NEED TO RAISE ADDITIONAL CAPITAL IN THE FUTURE, BUT CAPITAL MAY NOT BE AVAILABLE WHEN IT IS NEEDED.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. In addition, federal banking agencies have recently finalized extensive changes to their capital requirements, including the adoption of the final “Basel III” rules as discussed above, which result in higher capital requirements and more restrictive leverage and liquidity ratios than those previously in place. If we experience significant credit losses, addition capital may need to be infused. In addition, we may elect to raise additional capital to support business growth and/or to finance acquisitions, if any, or we may otherwise elect or be required to raise additional capital. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and are based on our financial performance. Accordingly, we cannot be assured of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, it may have a material adverse effect on our financial condition, results of operations and prospects.

WE ARE A HOLDING COMPANY AND DEPEND ON OUR SUBSIDIARY BANK FOR DIVIDENDS.

As a financial holding company, we are a legal entity separate and distinct from our subsidiaries and affiliates. Our principal source of funds to support our operations, pay dividends on our common shares and service our debt is dividends from our subsidiary bank, Civista. In the event that Civista is unable to pay dividends to us, we may not be able to service our debt, pay our other obligations or pay dividends on our common shares. Accordingly, our inability to receive dividends from Civista could also have a material adverse effect on our business, financial condition and results of operations.

Various federal and state statutory provisions and regulations limit the amount of dividends that Civista may pay to us without regulatory approval. Generally, subject to certain minimum capital requirements, Civista may declare a dividend without the approval of the ODFI so long as the total amount of the dividends in a calendar year does not exceed Civista’s total net income for that year combined with its retained net income for the two preceding years. In addition, the Federal Reserve has issued policy statements that provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. Thus, the ability of Civista to pay dividends in the future is currently influenced, and could be further influenced, by bank regulatory policies and capital guidelines and may restrict our ability to declare and pay dividends on our common shares.

THE MARKET PRICE OF OUR COMMON SHARES MAY BE SUBJECT TO FLUCTUATIONS AND VOLATILITY.

The market price of our common shares may fluctuate significantly due to, among other things, changes in market sentiment regarding our operations or business prospects, the banking industry generally or the macroeconomic outlook. Factors that could impact our trading price include:

- our operating and financial results, including how those results vary from the expectations of management, securities analysts and investors;
- developments in our business or operations or in the financial sector generally;
- future offerings by us of debt or preferred shares, which would be senior to our common shares upon liquidation and for purposes of dividend distributions;
- legislative or regulatory changes affecting our industry generally or our business and operations specifically;
- the operating and stock price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors;
- actions by our current shareholders, including future sales of common shares by existing shareholders, including our directors and executive officers; and
- other changes in U.S. or global financial markets, global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Equity markets in general and our common shares in particular have experienced considerable volatility over the past few years. The market price of our common shares may continue to be subject to volatility unrelated to our operating performance or business prospects. Increased volatility could result in a decline in the market price of our common shares.

THE SALE OF SUBSTANTIAL AMOUNTS OF OUR COMMON SHARES OR SECURITIES CONVERTIBLE INTO OUR COMMON SHARES IN THE PUBLIC MARKET COULD DEPRESS THE PRICE OF OUR COMMON SHARES.

In recent years, the stock market has experienced a high level of price and volume volatility, and market prices for the stock of many companies have experienced wide fluctuations that have not necessarily been related to their operating performance. Therefore, our shareholders may not be able to sell their shares at the volumes, prices, or times that they desire. We cannot predict the effect, if any, that future sales of our common shares or securities convertible into our common shares in the market, or availability of shares of our common shares or securities convertible into our common shares for sale in the market, will have on the market price of our common shares. We can give no assurance that sales of substantial amounts of our common shares or securities convertible into our common shares in the market, or the potential for large amounts of sales in the market, would not cause the price of our securities to decline or impair our ability to raise capital through sales of our common shares.

GENERAL RISK FACTORS

ADVERSE CHANGES IN FINANCIAL MARKETS AND ECONOMIC CONDITIONS MAY ADVERSELY IMPACT OUR RESULTS OF OPERATIONS.

Although we primarily invest in securities issued by United States government agencies and sponsored entities and United States state and local governments with limited credit risk, certain of our investment securities possess higher credit risk since they represent beneficial interests in structured investments collateralized by residential mortgages, debt obligations and other similar assets. Even securities issued by United States government agencies and sponsored entities may entail risk depending on political and economic changes. Regardless of the level of credit risk, all investment securities are subject to changes in market value due to changing interest rates, implied credit spreads and credit ratings.

WE MAY EXPERIENCE INCREASING SCRUTINY AND EVOLVING EXPECTATIONS FROM CUSTOMERS, REGULATORS, INVESTORS, AND OTHER STAKEHOLDERS WITH RESPECT TO THE COMPANY’S ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES.

Financial institutions are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social, and governance (“ESG”) practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG-related compliance costs for the Company as well as among our suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and the price of our common shares. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

CHANGES IN TAX LAWS COULD ADVERSELY AFFECT OUR PERFORMANCE

We are subject to extensive federal, state and local taxes, including income, excise, sales/use, payroll, franchise, withholding and ad valorem taxes. Changes to tax laws could have a material adverse effect on our results of operations, fair values of net deferred tax assets and obligations of states and political subdivisions held in our investment securities portfolio. In addition, our customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by our customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for our loans and deposit products. In addition, such negative effects on our customers could result in defaults on the loans we have made and decrease the value of mortgage-backed securities in which we have invested.

WE NEED TO CONSTANTLY UPDATE OUR TECHNOLOGY IN ORDER TO COMPETE AND MEET CUSTOMER DEMANDS.

The financial services market, including banking services, is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and may enable us to reduce costs. Our future success will depend, in part, on our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in our operations. Some of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological changes affecting the financial services industry could negatively affect our growth, revenue and profit.

WE ARE SUBJECT TO ENVIRONMENTAL LIABILITY RISK ASSOCIATED WITH CIVISTA’S LENDING ACTIVITIES.

A significant portion of Civista’s loan portfolio is secured by real property. During the ordinary course of business, Civista forecloses on and takes title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, Civista may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws and evolving regulation may require Civista to incur substantial expenses and may materially reduce the affected property’s value or limit Civista’s ability to use or sell the affected property. In addition, future laws and regulations or more stringent interpretations or enforcement policies with respect to existing laws or regulations may increase Civista’s exposure to environmental liability. Environmental reviews of real property before initiating foreclosure actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, financial condition and results of operations.

CLIMATE CHANGE, SEVERE WEATHER, NATURAL DISASTERS, ACTS OF WAR OR TERRORISM AND OTHER EXTERNAL EVENTS COULD SIGNIFICANTLY IMPACT OUR BUSINESS.

Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war or terrorism, and other adverse external events could have a significant impact on our ability to conduct business or upon third parties who perform operational services for us or our customers. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue or cause us to incur additional expenses.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

The Corporation understands the security of our banking operations is critical to protecting our customers, maintaining our reputation and preserving the value of the Corporation. The Corporation is focused on addressing cybersecurity risks on confidentiality, integrity, and the availability of the information the Corporation collects, transmits and stores by identifying, preventing, and mitigating cybersecurity risks. The Board of Directors, through the Board Risk and Audit Committees, and Enterprise Risk Management Committee, provide direction and oversight of the enterprise-wide risk management program of the Corporation, which includes the Information Security Program. The Chief Information Officer and the Chief Risk Officer oversee these programs to accomplish the following:

- assure the confidentiality, integrity and availability of our information and information systems;
- protect against any anticipated threats or hazards to the confidentiality, integrity or availability of such information and information systems; and
- protect against unauthorized access to or use of such information or information systems that could result in substantial harm or inconvenience to us, our clients and the value of the Corporation.

These programs establish policies (including vendor management), procedures, risk assessments, systems, monitoring, reporting, strategies, and training to effectively manage cybersecurity risks. Specifically, the Corporation deploys multiple layers of controls, including embedding security into our technology investments, designed to identify, protect, detect, respond to and recover from information security and cybersecurity incidents. The Corporation also performs simulations and drills to further ensure our readiness and preparedness for potential threats. In addition, the Corporation employs a nationally recognized firm with information security experts to annually perform audits that extensively test our program and controls, which are reviewed by the Board Audit Committee. These programs and controls align with Federal Financial Institutions Examination Council guidelines and standards.

While we do not believe that our business strategy, results of operations or financial condition have been materially adversely affected by any cybersecurity incidents, cybersecurity threats are present and similar to other financial institutions. The Corporation, as well as our customers, colleagues, regulators, service providers and other third parties, have seen an increase in information security and cybersecurity risk in recent years. We continue to assess the risks and threats in the cyber environment, invest in enhancements to our cybersecurity capabilities, and engage in industry and government forums to promote advancements in our cybersecurity collaboration and capabilities.

Item 2. Properties

CBI neither owns nor leases any properties. Civista owns its main office at 100 East Water Street, Sandusky, Ohio, which is also the office of CBI. Civista also owns branch banking offices in the following Ohio and Indiana communities: Sandusky (2), Norwalk (2), Berlin Heights, Willard, Castalia, Port Clinton, New Washington, Shelby (2), Greenwich, Plymouth, Shiloh, Dublin, Plain City, Russells Point, Urbana (2), Dayton (2), Quincy, Napoleon (3), Malinta, Holgate, Liberty Center, Lawrenceburg (3), Aurora, West Harrison, Milan, Osgood and Versailles. Civista leases branch banking offices in the Ohio communities of Akron, Huron, West Liberty, Dayton, Bowling Green and Beachwood. Civista also leases loan production offices in Westlake, Ohio and Fort Mitchell, Kentucky. The CLF division of Civista offices for its equipment leasing and financing business in Pittsburgh, Pennsylvania, Franklin, Tennessee and Dover, New Hampshire.

Item 3. Legal Proceedings

In the ordinary course of their respective businesses, the Company or its properties may be named or otherwise subject as a plaintiff, defendant or other party to various pending and threatened legal proceedings and various actual and potential claims. In view of the inherent difficulty of predicting the outcome of such matters, the Company cannot state what the eventual outcome of any such matters will be. However, based on current knowledge and after consultation with legal counsel, management believes that any damages or other amounts related to pending legal proceedings will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

As of February 20, 2024, there were approximately 1,733 shareholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) of the Company’s common shares.

Information regarding the restrictions applicable to the Company’s payment of dividends is included under Item 1 of this Annual Report on Form 10-K and is incorporated herein by reference.

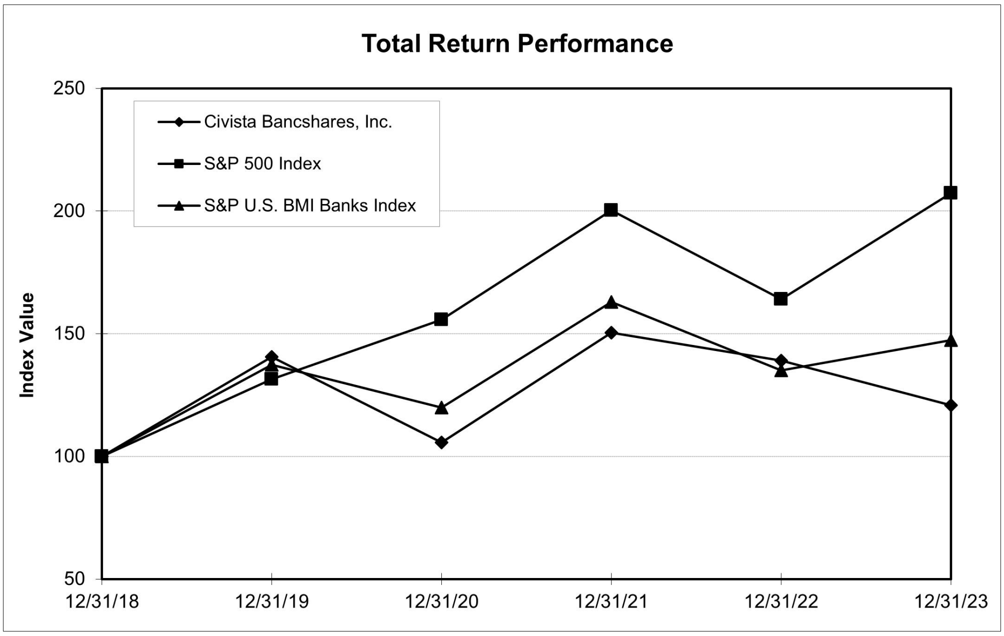
The following table details repurchases by the Company and purchases by "affiliated purchasers" as defined in Rule 10b-18(a)(3) under the Exchange Act of the Company's common shares during the fourth quarter of 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2023 - October 31, 2023	-	$ -	$ -	$ 12,003,223
November 1, 2023 - November 30, 2023	-	-	-	-
December 1, 2023 - December 31, 2023	573	18.44	-	-
Total	573	$ 18.44	—	$ 12,003,223

On May 8, 2023, the Company announced a new common share repurchase program pursuant to which the Company is authorized to repurchase a maximum aggregate value of $13,500,000 of its outstanding common shares through May 2, 2024. As of December 31, 2023, a total of 90,423 common shares had been repurchased for an aggregate purchase price of $1,628,205 under this repurchase program.

Shareholder Return Performance

Set forth below is a line graph comparing the five-year cumulative return of the common shares of Civista Bancshares, Inc. (ticker symbol CIVB), based on an initial investment of $100 on December 31, 2018 and assuming reinvestment of dividends, with the cumulative return of the Standard & Poor’s 500 Index, and the S&P U.S. BMI Banks Index. The comparative indices were obtained from S&P Global Market Intelligence.



Annual Report on Form 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished, free of charge, to shareholders, upon written request to Lance A. Morrison, Secretary of Civista Bancshares, Inc., 100 East Water Street, Sandusky, Ohio 44870.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Amounts in thousands, except per share data)

General

The following paragraphs more fully discuss the significant highlights, changes and trends as they relate to the Company's financial condition, results of operations, liquidity and capital resources as of December 31, 2023 and 2022, and during the three-year period ended December 31, 2023. This discussion should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements, which are included elsewhere in this report.

Financial Condition

At December 31, 2023, the Company's total assets were $3,861,418, compared to $3,639,445 at December 31, 2022. Net loans and securities available for sale increased $204,798 and $2,870, respectively, cash and due from financial institutions increased $17,045 from December 31, 2022 to December 31, 2023. Other factors contributing to the change in assets are discussed in the following sections.

Loans held for sale increased $1,042, or 152.6%, from $683 at December 31, 2022 to $1,725 at December 31, 2023. The increase is due to higher balances of held loans. At December 31, 2023, nine loans totaling $1,725 were held for sale as compared to seven loans totaling $683 at December 31, 2022.

At December 31, 2023, the Company's net loans totaled $2,824,568 and increased by 7.8% from $2,619,770 at December 31, 2022. The increase in net loans was spread across most segments. Commercial & Agriculture loans increased $29,643, Commercial Real Estate – Owner Occupied loans increased $6,173, Commercial Real Estate - Non-Owner Occupied loans increased $143,158, Residential Real Estate loans increased $107,060, Real Estate Construction loans increased $17,282, Lease financing receivables increased $17,845 and Farm Real Estate loans increased $63. The increases in the foregoing loan segments were offset by a decrease in Consumer and Other loans of $2,718.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the amount of Commercial and Agriculture, Commercial Real Estate, Residential Real Estate, Real Estate Construction, Farm Real Estate and Consumer and Other Loans and Lease financing receivables outstanding as of December 31, 2023, which, based on the contract terms for repayments of principal, are due in the periods indicated. In addition, the amounts due after one year are classified according to their sensitivity to changes in interest rates.

		Maturing			
	Within one year	After one but within five years	After five but within fifteen years	After fifteen years	Total
			(Dollars in thousands)		
Commercial & Agriculture	$ 91,306	$ 161,482	$ 50,689	$ 1,316	$ 304,793
Commercial Real Estate:					
Owner Occupied	6,742	103,779	229,599	37,201	377,321
Non-Owner Occupied	70,159	447,213	595,807	48,715	1,161,894
Residential Real Estate	5,210	30,980	240,938	382,713	659,841
Real Estate Construction	50,596	107,638	63,509	38,666	260,409
Farm Real Estate	1,085	6,938	13,311	3,437	24,771
Lease financing receivables	9,430	34,114	11,098	—	54,642
Consumer and Other	2,154	11,229	4,159	514	18,056
Total	$ 236,682	$ 903,373	$ 1,209,110	$ 512,562	$ 2,861,727

	Due After One Year	
	Fixed Rate	Variable Rate
	(Dollars in thousands)	
Commercial & Agriculture	$ 162,885	$ 50,602
Commercial Real Estate:		
Owner Occupied	85,003	285,576
Non-Owner Occupied	307,681	784,054
Residential Real Estate	163,414	491,217
Real Estate Construction	68,075	141,738
Farm Real Estate	6,589	17,097
Lease financing receivables	45,212	—
Consumer and Other	14,954	948
Total	$ 853,813	$ 1,771,232

The preceding maturity information is based on contract terms at December 31, 2023 and does not include any possible “rollover” at maturity date. In the normal course of business, Civista considers and acts on the borrowers’ requests for renewal of loans at maturity. Evaluation of such requests includes a review of the borrower’s credit history, the collateral securing the loan and the purpose for such request.

Analysis of the Allowance for Credit Losses

The following table shows the daily average loan balances and changes in the allowance for credit losses for the years indicated.

	2023	2022	2021
		(Dollars in thousands)	
Total loans outstanding	$ 2,861,727	$ 2,648,281	$ 2,087,258
Allowance for credit losses at year end	37,160	28,511	26,641
Loans accounted for on a nonaccrual basis	12,467	6,507	3,673
Allowance for credit losses to total loans outstanding	1.30 %	1.08 %	1.28 %
Nonaccrual loans to total loans outstanding	0.44 %	0.25 %	0.18 %
Allowance for credit losses to nonaccrual loans	298.07 %	438.16 %	725.32 %
Average loans outstanding:			
Commercial & Agriculture	276,438	236,315	338,916
Commercial Real Estate—Owner Occupied	372,214	322,132	278,777
Commercial Real Estate—Non-Owner Occupied	1,086,895	896,562	755,578
Real Estate Mortgage	588,739	511,973	433,351
Real Estate Construction	254,429	179,183	176,775
Farm Real Estate	24,250	24,388	28,968
Lease financing receivables	44,014	8,382	—
Consumer and Other	10,651	20,147	14,542
Loan participations sold, reflected as secured borrowings	65,167	87,846	100,250
Total average loans outstanding	2,722,797	2,286,928	2,127,157
Net charge-offs (recoveries):			
Commercial & Agriculture	1,122	(2)	(150)
Commercial Real Estate—Owner Occupied	(15)	(42)	(7)
Commercial Real Estate—Non-Owner Occupied	(46)	(74)	(395)
Real Estate Mortgage	(116)	(66)	(182)
Real Estate Construction	(37)	(4)	(1)
Farm Real Estate	—	(6)	(12)
Lease financing receivables	—	23	—
Consumer and Other	72	53	(36)
Total net charge-offs (recoveries)	980	(118)	(783)
Ratio of net charge-offs (recoveries) during the year to average loans outstanding:			
Commercial & Agriculture	0.41 %	(0.00)%	(0.04)%
Commercial Real Estate—Owner Occupied	(0.00)%	(0.01)%	(0.00)%
Commercial Real Estate—Non-Owner Occupied	(0.00)%	(0.01)%	(0.05)%
Real Estate Mortgage	(0.02)%	(0.01)%	(0.04)%
Real Estate Construction	(0.01)%	(0.00)%	(0.00)%
Farm Real Estate	—	(0.02)%	(0.04)%
Lease financing receivables		—	—
Consumer and Other	0.11 %	0.06 %	(0.04)%
Total net recoveries (charge-offs)	0.04 %	(0.01)%	(0.04)%

The amount of net charge-offs fluctuates from year to year due to factors relating to the condition of the general economy, decline in market values of collateral and deterioration of specific businesses.

The determination of the balance of the allowance for credit losses is based on the CECL methodology and utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods under prior GAAP, which generally require that a loss be incurred before it is recognized. In management's judgment, the CECL methodology produces a result that is adequate to provide for probable credit losses.

Allocation of Allowance for Loan Losses

The following tables allocate the allowance for loan losses at December 31 to each loan category. The allowance has been allocated according to the amount deemed to be reasonably necessary to provide for expected lifetime credit losses. within the following categories of loans at the dates indicated.

	2023		2022	
	Allowance	Percentage of loans to total loans	Allowance	Percentage of loans to total loans
	(Dollars in thousands)			
Commercial & Agriculture	$ 7,884	10.6 %	$ 3,011	10.9 %
Commercial Real Estate—Owner Occupied	4,686	13.2	4,565	14.5
Commercial Real Estate—Non-Owner Occupied	11,788	40.6	14,138	40.0
Real Estate Mortgage	8,489	23.1	3,145	21.7
Real Estate Construction	3,388	9.1	2,293	9.6
Farm Real Estate	260	0.9	291	1.0
Lease financing receivables	306	1.9	429	1.5
Consumer and Other	340	0.6	98	0.8
Unallocated	19	—	541	—
	$ 37,160	100.0 %	$ 28,511	100.0 %

	2021	
	Allowance	Percentage of loans to total loans
	(Dollars in thousands)	
Commercial & Agriculture	$ 2,600	12.3 %
Commercial Real Estate—Owner Occupied	4,464	14.9
Commercial Real Estate—Non-Owner Occupied	13,860	41.5
Real Estate Mortgage	2,597	21.5
Real Estate Construction	1,810	7.9
Farm Real Estate	287	1.4
Consumer and Other	176	0.5
Unallocated	847	—
	$ 26,641	100 %

Civista measures the adequacy of the allowance for loan losses by using the CECL methodology and utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The allowance for credit losses to total loans increased from 1.12% in 2022 to 1.30% in 2023. The unallocated reserve of Civista decreased to $19 in 2023 from $541 in 2022. Management considers both the decrease in the unallocated reserve and the end-of-period reserve number to be insignificant and within the loan policy guidelines.

Securities available for sale increased by $2,870, or 0.5%, from $615,402 at December 31, 2022 to $618,272 at December 31, 2023. U.S. Treasury securities and obligations of U.S. government agencies increased $6,629, or 1.1% from $61,029 at December 31, 2022 to $67,658 at December 31, 2023. Obligations of states and political subdivisions available for sale increased by $21,351 from 2022 to 2023. Mortgage-backed securities decreased by $25,110 to total $212,015 at December 31, 2023. The Company continues to utilize letters of credit from the Federal Home Loan Bank (FHLB) to replace maturing securities that were pledged for public entities. As of December 31, 2023, the Company was in compliance with all applicable pledging requirements.

Mortgage-backed securities totaled $212,015 at December 31, 2023 and none were considered unusual or “high risk” securities as defined by regulatory authorities. Of this total, $210,108 consisted of pass-through securities issued by the Federal National Mortgage Association (“FNMA”), Federal Home Loan Mortgage Corporation (“FHLMC”), and Government National Mortgage Association (“GNMA”), and the remaining $1,907 of these securities were collateralized by mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA. The average interest rate of the mortgage-backed securities portfolio at December 31, 2023 was 2.56%. The average maturity at December 31, 2022 was approximately 14.8 years.

Securities available for sale had a fair value at December 31, 2023 of $618,272. This fair value includes unrealized gains of approximately $3,059 and unrealized losses of approximately $57,679. Net unrealized losses totaled $54,620 on December 31, 2023 compared to net unrealized losses of $66,949 on December 31, 2022. The change in unrealized gains is primarily due to changes in market interest rates. Note 3 to the Consolidated Financial Statements provides additional information on unrealized gains and losses.

The following table sets forth the maturities of securities at December 31, 2023 and the weighted average yields of such debt securities. Maturities are reported based on stated maturities and do not reflect principal prepayment assumptions.

	Within one year		After one but within five years		After five but within ten years		After ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)							
Available for Sale (2)								
U.S. Treasury securities and obligations of U.S. government agencies	$ 18,005	3.50 %	$ 38,397	1.16 %	$ 831	3.51 %	$10,425	0.05 %
Obligations of states and political subdivisions (1)	18,500	3.98	134,013	3.18	185,121	2.95	965	4.00
Mortgage-backed securities in government sponsored entities	563	0.93	20,644	2.78	7,164	2.47	183,644	2.54
Total	$ 37,068	3.70 %	$ 193,054	2.73 %	$ 193,116	2.93 %	$ 195,034	2.41 %

(1) Weighted average yields on nontaxable obligations have been computed based on actual yields stated on the security.

(2) The weighted average yield has been computed using the historical amortized cost for available-for-sale securities.

Premises and equipment, net of accumulated depreciation, decreased $7,249 from December 31, 2022 to December 31, 2023. The decrease is the result of new purchases of $3,218, offset by depreciation of $10,760.

Goodwill decreased by $175, from $125,695 at December 31, 2022 to $125,520 at December 31, 2023. The decrease is due to an adjustment of goodwill related to the acquisition of VFG in October 2022. Other intangible assets decreased $1,251 from year-end 2022. The decrease includes $1,580 of core deposit intangibles offset by an increase of $329 of mortgage servicing rights.

Swap assets decreased $4,098 from December 31, 2022 to December 31, 2023. The decrease is primarily the result of decreases in the fair value of swap assets as compared to December 31, 2022.

Bank owned life insurance (BOLI) increased $7,850 from December 31, 2022 to December 31, 2023. An additional $7 of BOLI was purchased in December 2023. The remaining difference is the result of increases in the cash surrender value of the underlying insurance policies.

Deferred taxes decreased $92 from December 31, 2022 to December 31, 2023.

Year-end deposit balances totaled $2,985,028 in 2023 compared to $2,619,984 in 2022, an increase of $365,044, or 13.9%. This increase in deposits at December 31, 2023 compared to December 31, 2022 included increases in certificate of deposit accounts of $585,401, or 214%, offset by decreases in noninterest bearing demand deposits of $124,634, or 13.9% in interest bearing demand accounts of $78,430, or 14.9%, in savings and money market accounts of $20,129, or 2.3% and in individual retirement accounts of $3,933, or 8.5%. Average deposit balances for 2023 were $2,868,823 compared to $2,614,423 for 2022, an increase of 9.7%. Noninterest bearing deposits averaged $934,741 for 2023, compared to $937,890 for 2022, decreasing $3,149, or 0.3%. Savings, NOW, and MMDA accounts averaged $855,946 for 2023 compared to $1,423,134 for 2022, decreasing $567,188, or 39.9%. Average certificates of deposit decreased $281,549 to total an average balance of $534,947 for 2023.

The average daily amount of deposits (all in domestic offices) and average rates paid on such deposits is summarized for the years indicated.

	2023		2022	
	Average balance	Average rate paid	Average balance	Average rate paid
	(Dollars in thousands)			
Noninterest-bearing demand deposits	$ 900,124	N/A	$ 937,890	N/A
Interest-bearing demand deposits	497,512	0.03%	544,351	0.03%
Savings, including Money Market deposit accounts	858,551	1.15%	878,783	0.15%
Certificates of deposit, including IRA's	578,032	4.12%	253,399	0.95%
	$ 2,834,219		$ 2,614,423	

Uninsured deposits at December 31, 2023 and 2022 were $499,429 and $563,092, respectively. Uninsured deposits as of December 31, 2023 and 2022 are based on estimates and include portions of FDIC-insured deposit accounts that exceed the insurance limit of $250,000 per separately insured depositor.

Maturities of certificates of deposits and individual retirement accounts (IRAs) of more than $250,000 outstanding at December 31, 2023 are summarized as follows.

	Certificates of Deposits	Individual Retirement Accounts	Total
	(Dollars in thousands)		
3 months or less	$ 26,470	$ 0	$ 26,470
Over 3 through 6 months	25,861	1,080	26,941
Over 6 through 12 months	30,717	1,540	32,257
Over 12 months	12,185	305	12,490
	$ 95,233	$ 2,925	$ 98,158

FHLB advances decreased $56,886 from December 31, 2022 to December 31, 2023. Short-term FHLB advances decreased $55,700 year over year due to an increase in over night funding. The remaining difference is long-term FHLB advances decreased due to the repayments in 2023

Other borrowings decreased $5,656 from December 31, 2022 to December 31, 2023. Other borrowings decreased due to borrowings at the CLF division.

Civista no longer offers repurchase agreements in the form of sweep accounts to commercial checking account customers, as of July 2023. These repurchase agreements totaled $0 at December 31, 2023 compared to $25,143 at December 31, 2022. U.S. Treasury securities and obligations of U.S. government agencies maintained under Civista's control were pledged as collateral for the repurchase agreements. Additional detail related to these repurchase agreements can be found in Note 12 to the Consolidated Financial Statements.

Swap liabilities decreased $4,098 from December 31, 2022 to December 31, 2023. The decrease is primarily the result of decreases in the fair value of swap liabilities as compared to December 31, 2022.

Total shareholders' equity increased $37,166, or 11.1%, during 2023 to $372,002. Shareholders' equity increased due to net income of $42,964, partially offset by $9,599 of dividends on common shares and a one-time CECL adoption adjustment of $5,193. Additionally, $984 was recognized as stock-based compensation in 2023 in connection with the grant of restricted common shares. Accumulated other comprehensive income increased $9,747 due to an increase in the fair value of securities available for sale, net of tax and a $768 increase in the Company's pension liability, net of tax. The Company repurchased treasury shares for $1,628. For further explanation of these items, see Note 1, Note

15 and Note 16 to the Consolidated Financial Statements. The Company paid $0.61 per common share in dividends in 2023 compared to $0.56 per common share in dividends in 2022.

Total outstanding common shares at December 31, 2023 were 15,695,424, which decreased from 15,728,234 common shares outstanding at December 31, 2022. Common shares outstanding was impacted by the Company's repurchase of 90,423 common shares during 2023 at an average repurchase price of $18.01. The Company repurchased 84,230 common shares pursuant to a stock repurchase program announced on May 8, 2023, pursuant to which the Company is authorized to repurchase a maximum aggregate value of $13,500 of the Company's common shares until May 2, 2024. An additional 6,193 common shares were surrendered by officers to the Company to pay taxes upon vesting of restricted shares and 1,740 restricted common shares were forfeited. The repurchase of common shares was offset by the grant of 47,536 restricted common shares to certain officers under the Company's 2014 Incentive Plan. In addition, 1,817 common shares were issued to Civista directors in 2023 as a retainer payment for service on the Civista Board of Directors.

Results of Operations

The operating results of the Company are affected by general economic conditions, the monetary and fiscal policies of federal agencies and the regulatory policies of agencies that regulate financial institutions. The Company's cost of funds is influenced by interest rates on competing investments and general market rates of interest. Lending activities are influenced by the demand for real estate loans and other types of loans, which in turn is affected by the interest rates at which such loans are made, general economic conditions and the availability of funds for lending activities.

The Company's net income primarily depends on its net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and securities, and interest expense incurred on interest-bearing liabilities, such as deposits and borrowings. The level of net interest income is dependent on the interest rate environment and the volume and composition of interest-earning assets and interest-bearing liabilities. Net income is also affected by provisions for credit losses, service charges, gains on the sale of assets, other non-interest income, noninterest expense and income taxes.

Comparison of Results of Operations for the Years Ended December 31, 2023 and December 31, 2022

Net Income

The Company's net income for the year ended December 31, 2023 was $42,964, compared to $39,427 for the year ended December 31, 2022. The change in net income was the result of the items discussed in the following sections.

Net Interest Income

Net interest income for 2023 was $125,496, an increase of $15,292, or 13.9%, from 2022. From 2022 to 2023, average earning assets increased 11.6%, interest income increased $56,579, and interest expense on interest-bearing liabilities increased $41,287. The Company continually examines its rate structure to ensure that its interest rates are competitive and reflective of the current rate environment in which it competes.

Total interest income increased $56,579 to $182,734 for the year ended December 31, 2023, which is attributable to an increase of $52,702 in interest and fees on loans. This change was the result of an increase in the average balance of loans, accompanied by a higher yield on the portfolio. The average balance of loans increased by $523,715, or 23.8%, to $2,722,797 for the year ended December 31, 2023, as compared to $2,199,082 for the year ended December 31, 2022. The loan yield increased to 5.90% for 2023, from 4.69% in 2022.

Interest on taxable securities increased $2,595 to $11,718 for the year ended December 31, 2023, compared to $9,123 for the same period in 2022. The average balance of taxable securities increased $22,372 to $363,972 for the year ended December 31, 2023, as compared to $341,600 for the year ended December 31, 2022. The yield on taxable securities increased 39 basis points to 2.88% for 2023, compared to 2.49% for 2022. Interest on tax-exempt securities increased $1,423 to $9,282 for the year ended December 31, 2023, compared to $7,859 for the same period in 2022. The average balance of tax-exempt securities increased $18,697 to $282,678 for the year ended December 31, 2023 as compared to $263,981 for the year ended December 31, 2022. The yield on tax-exempt securities increased 23 basis points to 3.79% for 2023, compared to 3.56% for 2022.

Total interest expense increased $41,287 or 258.8%, to $53,763 for the year ended December 31, 2023, compared with $4,732 for the same period in 2022. The increase in interest expense can be attributed to an increase in the average rate paid, accompanied by an increase in the average balance of interest-bearing liabilities. For the year ended December 31, 2023, the average balance of interest-bearing liabilities increased $398,903 to $2,405,655 , as compared to $2,006,752 for the year ended December 31, 2022. Interest incurred on deposits increased by $29,915 to $33,755 for the year ended December 31, 2023, compared to $3,840 for the same period in 2022. The increase in deposit expense was due to a increase in the average rate paid, as the average rate paid on demand and savings accounts increased from 0.15% in 2022 to 1.15% in 2023 and the average rate paid on time deposits increased from 0.95% in 2022 to 4.125% in 2023, which was coupled with an increase in the average balance of interest-bearing deposits of $258,499 for the year ended December 31, 2023 as compared to the same period in 2022. Interest expense incurred on FHLB advances and subordinated debentures increased 93.9% from 2022. The increase was due to an increase in the average balance of short-term FHLB balances and subordinated debentures to $280,887 and $66,875, respectively, accompanied by an increase in rates. The average balance of other borrowings decreased $17,823 for the period ended December 31, 2023.

Refer to “Distribution of Assets, Liabilities and Shareholders’ Equity; Interest Rates and Interest Differential” and “Changes in Interest Income and Interest Expense Resulting from Changes in Volume and Changes in Rate” on pages 43 through 45 for further analysis of the impact of changes in interest-bearing assets and liabilities on the Company’s net interest income.

Provision and Allowance for Credit Losses

The Company’s policy is to maintain the allowance for credit losses at a level sufficient to provide for probable losses incurred in the current portfolio. Management believes the analysis of the allowance for credit losses supported a reserve of $37,160 at December 31, 2023. The Company provides for credit losses through regular provisions to the allowance for credit losses as necessary. The amount of the provision is affected by loan charge-offs, recoveries and changes in specific and general allocations required for the allowance for credit losses. A number of factors impact the provisions for credit losses, such as the level of higher risk loans in the portfolio, changes in practices related to loans, changes in collateral values and other factors. We continue to actively manage this process and have provided to maintain the reserve at a level that assures adequate coverage ratios.

Provisions for credit losses totaled $4,435 in 2023, $1,752 in 2022 and $830 in 2021. The Company’s provision for credit losses increased $2,683 during 2023, as compared to 2022, primarily to support strong organic loan growth in the portfolio. In addition, a one-time CECL adoption adjustment of $5,964 was incurred in the first quarter of 2023.

Efforts are continually made to analyze each segment of the loan portfolio and quantify risk to assure that reserves are appropriate for each segment and the overall portfolio. Management specifically evaluates loans that are impaired, which includes restructured loans, to estimate potential loss. This analysis includes a review of the loss migration calculation for all loan categories as well as fluctuations and trends in various risk factors that have occurred within the portfolios’ economic life cycle. The analysis also includes assessment of qualitative factors such as credit trends, unemployment trends, vacancy trends and loan growth. The composition and overall level of the loan portfolio and charge-off activity are also factors used to determine the amount of the allowance for loan losses.

Management analyzes each impaired commercial and commercial real estate loan relationship with a balance of $350 or larger, on an individual basis and when it is in nonaccrual status or when an analysis of the borrower’s operating results and financial condition indicates that underlying cash flows are not adequate to meet its debt service requirements. Loans held for sale and leases are excluded from consideration as impaired. Loans are generally moved to nonaccrual status when 90 days or more past due. Impaired loans or portions thereof are charged-off when deemed uncollectible.

Noninterest Income

Noninterest income increased $8,087, or 27.8%, to $37,164 for the year ended December 31, 2023, from $29,076 for the comparable 2022 period. The increase was primarily due to increases in lease revenue of $5,285, service charges of $512, bank owned life insurance of $128 and other operating items of $2,508. Which were partially offset by decreases in net gain on equity securities of $139, and net gain on sale of loans and leases of $489.

Net gain on sale of loans and leases decreased by $489 for 2023, primarily as a result of a decrease in volume of loans sold. During the twelve-months ended December 31, 2023, 349 loans were sold, totaling $103,036. During the twelve-months ended December 31, 2022, 692 loans were sold, totaling $131,193. Service charges increased due to increased ATM fees of $381. Lease revenue and residual income increased due to a full year of operations for CLF. Other income increased due to increases in wire transfer fees, merchant credit card fees, loan servicing fees, amortization of mortgage servicing rights and fee income from the acquisition of CLF.

Noninterest Expense

Noninterest expense increased $17,118, or 18.9%, to $107,611 for the year ended December 31, 2023, from $90,493 for the comparable 2022 period. The increase was primarily due to increases in compensation expense of $7,230, net occupancy expense of $694, equipment expense of $6,015, amortization expense of $283, software expense of $734, FDIC assessments of $840 and other operating expense of $2,242, increases were partially offset by decreases in data processing expense of $546, professional services of $436, and marketing expense of $161.

The increase in compensation expense was due to increased payroll, payroll taxes, employee insurance and commissions and incentives. The average full time equivalent (FTE) employees were 531 at December 31, 2023, an increase of 50 FTEs over 2022 due to a full year of the additional employees resulting from the prior year acquisitions of Comunibanc and VFG. The increase in net occupancy expense was due to increases in building repairs and maintenance and building depreciation. The increase in equipment expense was due to a general increase in computer, printer, office and security equipment costs and an increase in equipment depreciation related to the acquisition of VFG in October 2022. The increase in FDIC assessments was attributable to higher assessment multipliers charged to Civista. The increase in amortization expense is related to the a full year of amortization of assets acquired in the acquisition of Comunibanc Corp in July 2022. Software expense increase due to a general increase in legacy software maintenance contracts. Other operating expenses increased due to increases in travel, lodging and meals, donations, and bad check expense. The decrease in data processing expense was due to no additional acquisitions in 2023 compared to prior year. The decrease in professional services was due to decreases in legal and audit fees, as well as a decrease in marketing expense due to no additional marketing for new acquisitions compared to the previous year.

Income Tax Expense

Income tax expense was $7,649 in 2023 compared to $7,608 in 2022. Income tax expense as a percentage of pre-tax income was 15.1% in 2023 compared to 16.2% in 2022. A lower federal effective tax rate than the statutory rate of 21% in 2023 and 2022 is primarily due to tax-exempt interest income from state and municipal investments, municipal loans, income from BOLI and low income housing credits.

Comparison of Results of Operations for the Years Ended December 31, 2022 and December 31, 2021

A discussion regarding our financial condition and results of operations for the year ended December 31, 2022 and year-to-year comparisons between 2022 and 2021, which are not included in this Annual Report on Form 10-K, can be found under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and are incorporated by reference herein.

Changes in Interest Income and Interest Expense
Resulting from Changes in Volume and Changes in Rate

The following table sets forth, for the periods indicated, a summary of the changes in interest income and interest expense resulting from changes in volume and changes in rate (Amounts in thousands):

	Increase (decrease) due to:		
	Volume (1)	Rate (1)	Net
2023 compared to 2022			
Interest income:			
Loans	$ 22,820	$ 29,882	$ 52,702
Taxable securities	1,106	1,489	2,595
Nontaxable securities	896	527	1,423
Interest-bearing deposits in other banks	(1,651)	1,510	(141)
Total interest income	$ 23,171	$ 33,408	$ 56,579
Interest expense:			
Savings and interest-bearing demand accounts	$ (70)	$ 6,317	$ 6,247
Certificates of deposit	6,014	17,654	23,668
Short-term Federal Home Loan Bank advances	10,767	1,160	11,927
Long-term Federal Home Loan Bank advances	(710)	266	(444)
Securities sold under repurchase agreements	(6)	(1)	(7)
Federal funds purchased	—	—	—
Other borrowings	5	1,063	1,068
Subordinated debentures	(978)	(194)	(1,172)
Total interest expense	$ 15,022	$ 26,265	$ 41,287
Net interest income	$ 8,149	$ 7,143	$ 15,292
2022 compared to 2021			
Interest income:			
Loans	$ 7,250	$ 7,921	$ 15,171
Taxable securities	3,457	193	3,650
Nontaxable securities	2,295	(686)	1,609
Interest-bearing deposits in other banks	(393)	1,064	671
Total interest income	$ 12,609	$ 8,492	$ 21,101
Interest expense:			
Savings and interest-bearing demand accounts	$ 104	$ 119	$ 223
Certificates of deposit	(128)	(430)	(558)
Short-term Federal Home Loan Bank advances	2,566	—	2,566
Long-term Federal Home Loan Bank advances	(556)	(97)	(653)
Securities sold under repurchase agreements	(3)	(9)	(12)
Federal funds purchased	—	5	5
Other borrowings	(298)	2,223	1,925
Subordinated debentures	2,313	513	2,826
Total interest expense	$ 3,998	$ 2,324	$ 6,322
Net interest income	$ 8,611	$ 6,168	$ 14,779

(1) The change in interest income and interest expense due to changes in both volume and rate, which cannot be segregated, has been allocated proportionately to the change due to volume and the change due to rate.

Distribution of Assets, Liabilities and Shareholders' Equity;
Interest Rates and Interest Differential

The following table sets forth, for the years ended December 31, 2023, 2022 and 2021, the distribution of assets, including interest amounts and average rates of major categories of interest-earning assets and noninterest-earning assets (Amounts in thousands):

	2023			2022			2021		
Assets	Average balance	Interest	Yield/ rate	Average balance	Interest	Yield/ rate	Average balance	Interest	Yield/ rate
Interest-earning assets:									
Loans (1)(2)(3)(5)	$ 2,722,797	$ 160,755	5.90 %	$ 2,286,928	$ 108,053	4.72 %	$ 2,127,157	$ 92,882	4.37 %
Taxable securities (4)	363,972	11,718	2.88 %	341,600	9,123	2.49 %	232,813	5,473	2.41 %
Non-taxable securities (4)(5)	282,678	9,282	3.79 %	263,981	7,859	3.56 %	217,786	6,250	3.96 %
Interest-bearing deposits in other banks	21,551	979	4.54 %	146,849	1,120	0.76 %	347,573	449	0.13 %
Total interest earning assets	3,390,998	182,734	5.35 %	3,039,358	126,155	4.16 %	2,925,329	105,054	3.68 %
Noninterest-earning assets:									
Cash and due from financial institutions	39,219			84,777			35,404		
Premises and equipment, net	58,456			34,577			22,617		
Accrued interest receivable	11,499			8,650			8,010		
Intangible assets	133,626			96,492			84,747		
Other assets	63,152			50,765			37,378		
Bank owned life insurance	54,211			50,076			46,435		
Less allowance for loan losses	(33,814)			(27,721)			(26,366)		
Total	$ 3,717,347			$ 3,336,974			$ 3,133,554		

(1) For purposes of these computations, the daily average loan amounts outstanding are net of unearned income and include loans held for sale.

(2) Included in loan interest income are loan fees of $2,960 in 2023, $2,024 in 2022 and $1,661 in 2021.

(3) Non-accrual loans are included in loan totals and do not have a material impact on the analysis presented.

(4) Average balance is computed using the carrying value of securities. The average yield has been computed using the historical amortized cost average balance for available for sale securities.

(5) Yield/Rate is calculated using the tax-equivalent adjustment of 21% for 2023, 2022 and 2021.

Distribution of Assets, Liabilities and Shareholders’ Equity;
Interest Rates and Interest Differential (Continued)

The following table sets forth, for the years ended December 31, 2023, 2022 and 2021, the distribution of liabilities, including interest amounts and average rates of major categories of interest-bearing liabilities and shareholders’ equity (Amounts in thousands):

	2023			2022			2021		
Liabilities and Shareholders’ Equity	**Average balance**	**Interest**	**Yield/ rate**	**Average balance**	**Interest**	**Yield/ rate**	**Average balance**	**Interest**	**Yield/ rate**
Interest-bearing liabilities:									
Savings and interest-bearing demand accounts	$ 1,356,789	$ 7,689	0.57 %	$ 1,423,134	$ 1,442	0.01 %	$ 1,315,220	$ 1,219	0.09 %
Certificates of deposit	578,243	26,066	4.51 %	253,399	2,398	0.95 %	265,294	2,956	1.11 %
Short-term Federal Home Loan Bank advances	280,887	14,493	5.16 %	66,875	2,566	3.84 %	—	—	—
Long-term Federal Home Loan Bank advances	2,909	66	2.27 %	45,325	510	1.13 %	94,041	1,163	1.24 %
Other borrowings	74,025	4,058	5.48 %	91,848	5,243	5.70 %	100,250	3,312	3.30 %
Securities sold under repurchase agreements	8,685	4	0.05 %	22,293	11	0.05 %	26,165	23	0.09 %
Federal funds purchased	244	13	5.33 %	137	6	4.38 %	137	1	0.73 %
Subordinated debentures	103,873	4,849	4.67 %	103,741	3,781	3.64 %	36,785	955	2.66 %
Total interest-bearing liabilities	2,405,655	57,238	2.38 %	2,006,752	15,957	0.79 %	1,837,892	9,629	0.53 %
Noninterest-bearing liabilities:									
Demand deposits	917,005			937,890			907,591		
Other liabilities	50,963			76,189			38,868		
	967,968			1,014,079			946,459		
Shareholders’ equity	343,724			316,143			349,203		
Total	$ 3,717,347			$ 3,336,974			$ 3,133,554		
Net interest income and interest rate spread (1)		$ 125,496	2.97 %		$ 110,198	3.37 %		$ 95,425	3.15 %
Net interest margin (2)			3.70 %			3.65 %			3.35 %

(1) Interest rate spread is calculated by subtracting the rate on average interest-bearing liabilities from the yield on average interest-earning assets.

(2) Net interest margin is calculated by dividing tax-equivalent adjusted net interest income by average interest-earning assets.

Liquidity and Capital Resources

Civista maintains a conservative liquidity position. All securities are classified as available for sale. At December 31, 2023, securities with maturities of one year or less totaled $2,652, or 0.4% of the total securities portfolio. The available for sale portfolio helps to provide Civista with the ability to meet its funding needs. The Consolidated Statements of Cash Flows contained in the Consolidated Financial Statements detail the Company's cash flows from operating activities resulting from net earnings.

Net cash provided by operating activities was $62,698, $25,183, and $40,761 for 2023, 2022 and 2021, respectively. The primary additions to cash from operating activities are from net income, adjusted for amortization of intangible assets, amortization of securities net of accretion, the provision for credit losses, depreciation and proceeds from sale of loans. The primary use of cash from operating activities is from loans originated for sale. Net cash used for investing activities was $311,784, $410,364, and $130,496 in 2023, 2022 and 2021, respectively, principally reflecting our loan and investment security activities. Deposits and borrowings comprised most of our financing activities, which resulted in net cash provided of $266,131, $164,303, and $216,925 in 2023, 2022 and 2021, respectively.

Future loan demand of Civista can be funded by increases in deposit accounts, proceeds from payments on existing loans, the maturity of securities and the sale of securities classified as available for sale. Additional sources of funds may also come from borrowing in the Federal Funds market and/or borrowing from the FHLB. As of December 31, 2023, Civista had total credit availability with the FHLB of $791,637, of which $364,792 was outstanding, including standby letters of credit of $24,400.

On a separate entity basis, CBI's primary source of funds is dividends paid by its subsidiaries, primarily by Civista. Generally, subject to applicable minimum capital requirements, Civista may declare and pay a dividend without the approval of the Federal Reserve Bank of Cleveland (the "Federal Reserve Bank") and the ODFI, provided the total dividends in a calendar year do not exceed the total of its profits for that year combined with its retained profits for the two preceding years. At December 31, 2023, Civista was able to pay approximately $56,886 of dividends to CBI without obtaining regulatory approval. During 2023, Civista paid dividends totaling $28,100 to CBI. This represented approximately 65 percent of Civista's earnings for the year.

The Company manages its liquidity and capital through quarterly Asset/Liability Management Committee (ALCO) meetings. The ALCO discusses issues like those in the above paragraphs as well as others that may affect the future liquidity and capital position of the Company. The ALCO also examines interest rate risk and the effect that changes in rates will have on the Company. For more information about interest rate risk, please refer to "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" section below.

Capital Adequacy

Shareholders' equity totaled $372,002 at December 31, 2023 compared to $334,835 at December 31, 2022. The increase in shareholders' equity resulted primarily from net income of $42,964, which was partially offset by a $768 net increase in the Company's pension liability and an increase in the fair value of securities available for sale, net of tax, of $9,747, together with dividends on common shares of $9,599 and repurchase of common shares totaling $1,628 during 2023 pursuant to the Company's publicly-announced share purchase programs.

During the first quarter of 2015, the Company adopted the new BASEL III regulatory capital framework as approved by the federal banking agencies. In addition to the other required capital ratios, the BASEL III rules also require the Company to maintain minimum amounts and ratios of Common Equity Tier 1 ("CET1") capital to risk-weighted assets (as these terms are defined in the BASEL III rules). Under the BASEL III rules, the Company elected to opt-out of including accumulated other comprehensive income in regulatory capital. All of the Company's capital ratios exceeded the regulatory minimum guidelines as of December 31, 2023 and 2022 as identified in the following table:

	Total Risk Based Capital	**Tier I Risk Based Capital**	**CET1 Risk Based Capital**	**Leverage Ratio**
Company Ratios—December 31, 2023	14.4%	10.7%	9.7%	8.8%
Company Ratios—December 31, 2022	14.1%	10.4%	9.4%	8.7%
For Capital Adequacy Purposes	8.0%	6.0%	4.5%	4.0%
To Be Well Capitalized Under Prompt Corrective Action Provisions	10.0%	8.0%	6.5%	5.0%

Common equity for the CET1 risk-based capital ratio includes common stock (plus related surplus) and retained earnings, plus limited amounts of minority interests in the form of common stock, less the majority of certain regulatory deductions.

Tier 1 capital includes common equity as defined for the CET1 risk-based capital ratio, plus certain non-cumulative preferred stock and related surplus, cumulative preferred stock and related surplus and trust preferred securities that have been grandfathered (but which are not permitted going forward), and limited amounts of minority interests in the form of additional Tier 1 capital instruments, less certain deductions.

Tier 2 capital, which can be included in the total capital ratio, includes certain capital instruments (such as subordinated debt) and limited amounts of the allowance for loan and lease losses, subject to certain eligibility criteria, less applicable deductions.

The deductions from CET1 capital include goodwill and other intangibles, certain deferred tax assets, mortgage-servicing assets above certain levels, gains on sale in connection with a securitization, investments in a banking organization’s own capital instruments and investments in the capital of unconsolidated financial institutions (above certain levels).

Under applicable regulatory guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of several risk weights is applied to different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The BASEL III regulatory capital rules and regulations also place restrictions on the payment of capital distributions, including dividends, and certain discretionary bonus payments to executive officers if the company does not hold a capital conservation buffer of at least 2.5 percent composed of CET1 capital above its minimum risk-based capital requirements, or if its eligible retained income is negative in that quarter and its capital conservation buffer ratio was less than 2.5 percent at the beginning of the quarter.

Effects of Inflation

The Company’s balance sheet is typical of financial institutions and reflects a net positive monetary position whereby monetary assets exceed monetary liabilities. Monetary assets and liabilities are those which can be converted to a fixed number of dollars and include cash assets, securities, loans, money market instruments, deposits and borrowed funds.

During periods of inflation, a net positive monetary position may result in an overall decline in purchasing power of an entity. However, no clear evidence exists of a relationship between the purchasing power of an entity’s net positive monetary position and its future earnings. Moreover, the Company’s ability to preserve the purchasing power of its net positive monetary position will be partly influenced by the effectiveness of its asset/liability management program. As part of the asset/liability management process, management reviews and monitors information and projections on inflation as published by the Federal Reserve Board and other sources. This information speaks to inflation as determined by its impact on consumer prices and also the correlation of inflation and interest rates. This information is but one component in an asset/liability management process designed to limit the impact of inflation on the Company. Management does not believe that the effect of inflation on its nonmonetary assets (primarily bank premises and equipment) is material as such assets are not held for resale and significant disposals are not anticipated.

Fair Value of Financial Instruments

The Company has disclosed the fair value of its financial instruments at December 31, 2023 and 2022 in Note 17 to the Consolidated Financial Statements. The fair value of loans at December 31, 2023 was 94.9% of the carrying value compared to 96.5% at December 31, 2022. The fair value of deposits at December 31, 2023 was 100.0% of the carrying value compared to 100.0% at December 31, 2022. Changes in fair value were primarily due to changes in the discount values used to measure fair value.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company’s primary market risk exposure is interest-rate risk and, to a lesser extent, liquidity risk. All of the Company’s transactions are denominated in U.S. dollars with no specific foreign exchange exposure.

Interest-rate risk is the exposure of a banking organization’s financial condition to adverse movements in interest rates. Accepting this risk can be an important source of profitability and shareholder value. However, excessive levels of interest-rate risk can pose a significant threat to the Company’s earnings and capital base. Accordingly, effective risk management that maintains interest-rate risk at prudent levels is essential to the Company’s safety and soundness.

Evaluating a financial institution’s exposure to changes in interest rates includes assessing both the adequacy of the management process used to control interest-rate risk and the organization’s quantitative level of exposure. When assessing the interest-rate risk management process, the Company seeks to ensure that appropriate policies, procedures, management information systems and internal controls are in place to maintain interest-rate risk at prudent levels with consistency and continuity. Evaluating the quantitative level of interest rate risk exposure requires the Company to assess the existing and potential future effects of changes in interest rates on its consolidated financial condition, including capital adequacy, earnings, liquidity and, where appropriate, asset quality.

The Federal Reserve Board, together with the OCC and FDIC, adopted a Joint Agency Policy Statement on interest-rate risk, effective June 26, 1996. The policy statement provides guidance to examiners and bankers on sound practices for managing interest-rate risk, which will form the basis for ongoing evaluation of the adequacy of interest-rate risk management at supervised institutions. The policy statement also outlines fundamental elements of sound management that have been identified in prior Federal Reserve guidance and discusses the importance of these elements in the context of managing interest-rate risk. Specifically, the guidance emphasizes the need for active board of director and senior management oversight and a comprehensive risk-management process that effectively identifies, measures, and controls interest-rate risk. Financial institutions derive their income primarily from the excess of interest collected over interest paid. The rates of interest an institution earns on its assets and owes on its liabilities generally are established contractually for a period of time. Since market interest rates change over time, an institution is exposed to lower profit margins (or losses) if it cannot adapt to interest-rate changes. For example, assume that an institution’s assets carry intermediate- or long-term fixed rates and that those assets were funded with short-term liabilities. If market interest rates rise by the time the short-term liabilities must be refinanced, the increase in the institution’s interest expense on its liabilities may not be sufficiently offset if assets continue to earn at the long-term fixed rates. Accordingly, an institution’s profits could decrease on existing assets because the institution will have either lower net interest income or, possibly, net interest expense. Similar risks exist when assets are subject to contractual interest-rate ceilings, or rate sensitive assets are funded by longer-term, fixed-rate liabilities in a decreasing-rate environment.

Several techniques may be used by an institution to minimize interest-rate risk. One approach used by the Company is to periodically analyze its assets and liabilities and make future financing and investment decisions based on payment streams, interest rates, contractual maturities, and estimated sensitivity to actual or potential changes in market interest rates. Such activities fall under the broad definition of asset/liability management. The Company’s primary asset/liability management technique is the measurement of the Company’s asset/liability gap, that is, the difference between the cash flow amounts of interest sensitive assets and liabilities that will be refinanced (or repriced) during a given period. For example, if the asset amount to be repriced exceeds the corresponding liability amount for a certain day, month, year, or longer period, the institution is in an asset sensitive gap position. In this situation, net interest income would increase if market interest rates rose or decrease if market interest rates fell.

If, alternatively, more liabilities than assets will reprice, the institution is in a liability sensitive position. Accordingly, net interest income would decline when rates rose and increase when rates fell. Also, these examples assume that interest rate changes for assets and liabilities are of the same magnitude, whereas actual interest rate changes generally differ in magnitude for assets and liabilities.

Several ways an institution can manage interest-rate risk include selling existing assets or repaying certain liabilities and matching repricing periods for new assets and liabilities, for example, by shortening terms of new loans or securities. Financial institutions are also subject to prepayment risk in falling rate environments. For example, mortgage loans and other financial assets may be prepaid by a debtor so that the debtor may refinance its obligations at new, lower rates. The Company does not have significant derivative financial instruments and does not intend to purchase a significant amount of such instruments in the near future. Prepayments of assets carrying higher rates reduce the Company’s interest income and overall asset yields. A large portion of an institution’s liabilities may be short term or due on demand, while most of its assets may be invested in long term loans or securities. Accordingly, the Company seeks to have in place sources of cash to meet short-term demands. These funds can be obtained by increasing deposits, borrowing, or selling assets. Also, FHLB advances and wholesale borrowings may be used as important sources of liquidity for the Company.

The following table provides information about the Company's financial instruments that were sensitive to changes in interest rates as of December 31, 2023 and 2022, based on certain prepayment and account decay assumptions that management believes are reasonable. Although the Company had derivative financial instruments as of December 31, 2023 and 2022, the changes in fair value of the assets and liabilities of the underlying contracts offset each other. For more information about derivative financial instruments see Note 22 to the Consolidated Financial Statements. Expected maturity date values for interest-bearing core deposits were calculated based on estimates of the period over which the deposits would be outstanding. The Company's borrowings were tabulated by contractual maturity dates and without regard to any conversion or repricing dates.

Net Portfolio Value

	December 31, 2023			December 31, 2022		
Change in Rates	**Dollar Amount**	**Dollar Change**	**Percent Change**	**Dollar Amount**	**Dollar Change**	**Percent Change**
+200bp	$ 603,656	$ (4,077)	(1)%	$ 571,328	$ 14,733	3%
+100bp	608,399	666	0%	566,596	10,001	2%
Base	607,733	—	—	556,595	—	—
-100bp	605,047	(2,686)	(0)%	548,575	(8,020)	(1)%
-200bp	591,305	(16,428)	(3)%	526,702	(29,893)	(5)%

The change in net portfolio value from December 31, 2022 to December 31, 2023, can be attributed to a couple of factors. The yield remains inverted, and the short end has steepened since the end of the year. Additionally, both the volume and mix of assets and funding sources has changed. The volume of loans has increased, and the asset mix remains centered on loans. The volume of certificates of deposit has increased and both non-maturing deposits and borrowed money have decreased. The volume and mix shifts from the end of the year contributed to an increase in the base net portfolio value. Beyond the change in the base level of net portfolio value, projected movements in rates, up or down, would also lead to changes in market values. A 200 basis point change in the rates up scenario would lead to a slightly larger decrease in the market value of assets than liabilities. Accordingly, we see a decrease in the net portfolio value. A 200 basis points change in the rates down scenario would lead to a larger increase in the market value of liabilities than in assets, leading to a decrease in the net portfolio value.

Critical Accounting Policies

Allowance for Credit losses: The allowance for credit losses is regularly reviewed by management to determine that the amount is considered adequate to absorb probable losses in the loan portfolio. If not, an additional provision is made to increase the allowance. This evaluation includes specific loss estimates on certain individually reviewed impaired loans, the pooling of commercial credits risk graded as special mention and substandard that are not individually analyzed, and general loss estimates that are based upon the size, quality, and concentration characteristics of the various loan portfolios, adverse situations that may affect a borrower's ability to repay, and current economic and industry conditions, among other items.

Those judgments and assumptions that are most critical to the application of this accounting policy are assessing the initial and on-going credit-worthiness of the borrower, the amount and timing of future cash flows of the borrower that are available for repayment of the loan, the sufficiency of underlying collateral, the enforceability of third-party guarantees, the frequency and subjectivity of loan reviews and risk ratings, emerging or changing trends that might not be fully captured in the historical loss experience, and charges against the allowance for actual losses that are greater than previously estimated. These judgments and assumptions are dependent upon or can be influenced by a variety of factors, including the breadth and depth of experience of lending officers, credit administration and the corporate loan review staff that periodically review the status of the loan, changing economic and industry conditions, changes in the financial condition of the borrower and changes in the value and availability of the underlying collateral and guarantees.

Note 1 and Note 5 to the Consolidated Financial Statements provide additional information regarding the Allowance for Credit losses.

Goodwill: The Company accounts for business combinations using the acquisition method of accounting. Accordingly, the identifiable assets acquired and the liabilities assumed are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value recorded as goodwill. The Company performs an evaluation of goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The evaluation for impairment involves comparing the current estimated fair value of the Company to its carrying value. If the current estimated fair value exceeds the carrying value, no additional testing is required and an impairment loss is not recorded. If the estimated fair value is less than the carrying value, further valuation procedures are performed that could result in impairment of goodwill being recorded. Management estimated the fair value of the Reporting Unit as of the measurement date utilizing four valuation approaches: the comparable transactions approach, the control premium approach, the public market peers control premium approach and the discounted cash flow approach. These approaches were all considered in reaching a conclusion on fair value. The estimated fair value of the Reporting Unit was then compared to the current carrying value to determine if impairment had occurred. It is our opinion that, as of the November 30, 2023 measurement date, the aggregate fair value of the Reporting Unit exceeds the carrying value of the Reporting Unit. Therefore management concluded that goodwill was not impaired and made no adjustment in 2023.

Income Taxes: Management's determination of the realization of net deferred tax assets is based upon management's judgment of various future events and uncertainties, including the timing and amount of future income, as well as the implementation of various tax planning strategies to maximize realization of the deferred tax assets. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Management analyzes material tax positions taken in any income tax return for any tax jurisdiction and determines the likelihood of the positions being sustained in a tax examination. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Available for Sale ("AFS") Debt Securities: For AFS securities in an unrealized loss position, management assesses whether (i) we intend to sell, or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine 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 any 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. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Pension Benefits: Pension costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company's pension obligations and future expense. Our pension benefits are described further in Note 15 of the "Notes to Consolidated Financial Statements."

Derivative Financial Instruments: In the ordinary course of business, the Company enters into derivative financial instruments in connection with its asset/liability management activities and to accommodate the needs of its customers. Derivative financial instruments are stated at fair value on the Consolidated Statement of Conditions with changes in fair value reposted in current earnings.

Item 8. Financial Statements and Supplementary Financial Data

CIVISTA BANCSHARES, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements

Management’s Report on Internal Control over Financial Reporting	50
Report of Independent Registered Public Accounting Firm (FORVIS, LLP - PCAOB ID:686)	51
Consolidated Balance Sheets as of December 31, 2023 and 2022	55
Consolidated Statements of Operations for the Years ended December 31, 2023, 2022 and 2021	56
Consolidated Statements of Changes in Shareholders’ Equity for the Years ended December 31, 2023, 2022 and 2021	58
Consolidated Statements of Cash Flows for the Years ended December 31, 2023, 2022 and 2021	59
Notes to Consolidated Financial Statements	61

Management's Report on Internal Control over Financial Reporting

We, as management of Civista Bancshares, Inc., are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Company's system of internal control over financial reporting as of December 31, 2023, in relation to criteria for effective internal control over financial reporting as described in "2013 Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2023, its system of internal control over financial reporting is effective and meets the criteria of the "2013 Internal Control – Integrated Framework". FORVIS, LLP , independent registered public accounting firm, has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2023.

Management is responsible for compliance with the federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the FDIC as safety and soundness laws and regulations. Management has assessed compliance by the Company with the designated laws and regulations relating to safety and soundness. Based on the assessment, management believes that the Company complied, in all significant respects, with the designated laws and regulations related to safety and soundness for the year ended December 31, 2023.

Dennis G. Shaffer
President and Chief Executive Officer

Todd A. Michel
Senior Vice President, Controller

Sandusky, Ohio
March 14, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Board of Directors and Audit Committee
Civista Bancshares, Inc.
Sandusky, Ohio

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Civista Bancshares, Inc. (the “Company”) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2024, expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company changed its method of accounting for the allowance for credit losses as of January 1, 2023 due to the adoption of Accounting Standards Update No. 2016-13, which established Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses.*

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company’s loan portfolio and the associated allowance for credit losses (“ACL”) were $2.9 billion and $37.2 million as of December 31, 2023, respectively. The Company estimates the ACL at a level that is appropriate to cover estimated credit losses based on internal and external information relating to past events, current conditions, and reasonable and supportable forecasts. The Company uses the discounted cash flow method for all loan segments to estimate expected losses on a collective (pool) basis for loans that share similar risk characteristics. For each loan segment, the Company generates cash flow projections at the instrument level adjusting payment expectations for estimated prepayment speed, curtailments, time to recovery, probability of default and loss given default. Additional qualitative adjustments are applied for risk factors that are not considered within the modeling process but are relevant in assessing the expected credit losses within the loan segments. Consideration is given to the following factors: changes in experience and depth of lending and management staff; changes in quality of credit review system; changes in nature and volume of portfolio; changes in past due, classified and nonaccrual loans; changes in economic and business conditions; changes in competition or legal and regulatory requirements; changes in concentrations within the portfolio; and changes in underlying collateral for collateral dependent loans. Loans that do not share risk characteristics are evaluated on an individual basis.

We identified the valuation of the ACL as a critical audit matter. The principal considerations for that determination included the high degree of judgment and subjectivity involved in evaluating management’s estimates, particularly as it related to evaluating management’s assessment of the qualitative factors. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of management’s significant estimates and assumptions.

Our primary audit procedures performed related to the ACL included:

- Obtained an understanding of the Company's process for establishing the ACL, including the qualitative and forecast factor adjustments of the ACL
- Evaluated the design and tested the operating effectiveness of controls related to management's determination of the ACL, including controls over:
    - Management's process for identification, basis for development and related adjustments; including reasonableness, of the qualitative factor components of the ACL
    - Management's review of reliability and accuracy of data used to calculate and estimate the various components of the ACL, including accuracy of the calculation
- Evaluated and tested the data and inputs within the ACL calculation for completeness and accuracy including mathematical accuracy for the calculation.
- Evaluated the qualitative factors for appropriate identification and application including reasonableness of the basis for adjustment.
- Evaluated the mathmatical accuracy of formulas used in setting qualitative factors and application of the factors to loan segments.
- Utilized the assistance of the firm's internal specialists to test the mathematical operation of the model.
- Evaluated the reasonableness of management's application of qualitative factor adjustments to historical loss rates in the ACL, including:
    - Evaluated completeness and accuracy of the information utilized as a basis for the qualitative factors to third party or internal sources
    - Evaluated the relevance of inputs in the calculation utilized as a basis for the qualitative factors

FORVIS, LLP

We have served as the Company’s auditor since 2021.

FORVIS, LLP
Cincinnati, Ohio
March 14, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Board of Directors and Audit Committee
Civista Bancshares, Inc.
Sandusky, Ohio

Opinion on the Internal Control over Financial Reporting

We have audited Civista Bancshares, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and our report dated March 14, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

FORVIS, LLP

FORVIS, LLP
Cincinnati, Ohio
March 14, 2024

CIVISTA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022
(Amounts in thousands, except share data)

	2023	2022
ASSETS		
Cash and due from financial institutions	$ 60,406	$ 43,361
Cash and cash equivalents	60,406	43,361
Investments in time deposits	1,225	1,477
Securities available for sale	618,272	615,402
Equity securities	2,169	2,190
Loans held for sale	1,725	683
Loans, net of allowance of $ 37,160 and $ 28,511	2,824,568	2,619,770
Other securities	29,998	33,585
Premises and equipment, net	56,769	64,018
Accrued interest receivable	12,819	11,178
Goodwill	125,520	125,695
Other intangible assets	9,508	10,759
Bank owned life insurance	61,335	53,543
Swap assets	12,481	16,579
Deferred taxes	18,357	18,449
Other assets	26,266	22,756
Total assets	$ 3,861,418	$ 3,639,445
LIABILITIES		

Deposits		
Noninterest-bearing	$ 771,699	$ 896,333
Interest-bearing	2,213,329	1,723,651
Total deposits	2,985,028	2,619,984
Short-term Federal Home Loan Bank advances	338,000	393,700
Long-term Federal Home Loan Bank advances	2,392	3,578
Securities sold under agreements to repurchase	—	25,143
Subordinated debentures	103,943	103,799
Secured borrowings	—	101,615
Other borrowings	9,859	15,516
Swap liabilities	12,481	16,579
Accrued expenses and other liabilities	37,713	24,696
Total liabilities	3,489,416	3,304,610
SHAREHOLDERS' EQUITY		
Common stock, no par value, 40,000,000 shares authorized, 19,288,674 shares issued at December 31, 2023 and 19,231,061 shares issued at December 31, 2022	311,166	310,182
Accumulated earnings	183,788	156,492
Treasury stock, 3,593,250 common shares at December 31, 2023 and 3,502,827 common shares at December 31, 2022, at cost	(75,422)	(73,794)

Accumulated other comprehensive loss	(47,530)	(58,045)
Total shareholders’ equity	372,002	334,835
Total liabilities and shareholders’ equity	$ 3,861,418	$ 3,639,445

CIVISTA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2023, 2022 and 2021
(Amounts in thousands, except per share data)

	2023	2022	2021
Interest and dividend income			
Loans, including fees	$ 160,755	$ 108,053	$ 92,882
Taxable securities	11,718	9,123	5,473
Tax-exempt securities	9,282	7,859	6,250
Federal funds sold and other	979	1,120	449
Total interest and dividend income	182,734	126,155	105,054
Interest expense			
Deposits	33,755	3,840	4,175
Federal Home Loan Bank advances	14,559	3,076	1,163
Subordinated debentures	4,849	3,781	955
Securities sold under agreements to repurchase and other	4,075	5,254	3,336
Total interest expense	57,238	15,951	9,629
Net interest income	125,496	110,204	95,425
Provision for credit losses	4,435	1,752	830
Net interest income after provision for credit losses	121,061	108,452	94,595
Noninterest income			
Service charges	7,206	7,074	5,905
Net gain on sale of securities	0	10	1,786
Net gain (loss) on equity securities	(21)	118	186
Net gain on sale of loans and leases	2,908	3,397	8,042

ATM/Interchange fees	5,880	5,499	5,443
Wealth management fees	4,767	4,902	4,857
Lease revenue & residual income	7,595	2,310	—
Bank owned life insurance	1,112	984	1,200
Tax refund processing fees	2,375	2,375	2,375
Swap fees	673	247	207
Other	4,668	2,160	1,451
Total noninterest income	37,163	29,076	31,452
Noninterest expense			
Compensation expense	58,291	51,061	44,690
Net occupancy expense	5,395	4,701	4,213
Equipment expense	11,085	5,070	1,838
Contracted data processing	2,242	2,788	1,725
FDIC Assessment	1,637	797	1,056
State franchise tax	2,026	1,975	2,184
Professional services	4,952	5,388	2,715
Amortization of intangible assets	1,579	1,296	890
ATM/Interchange expense	2,420	2,248	2,314
Marketing expense	1,352	1,513	1,103
Software maintenance expenses	4,167	3,433	2,755
Other operating expenses	12,465	10,223	12,183

Total noninterest expense	107,611	90,493	77,666
Income before income taxes	50,613	47,035	48,381
Income taxes	7,649	7,608	7,835
Net income	42,964	39,427	40,546
Net income available to common shareholders	$ 42,964	$ 39,427	$ 40,546
Earnings per common share, basic	$ 2.73	$ 2.60	$ 2.63
Earnings per common share, diluted	$ 2.73	$ 2.60	$ 2.63

CIVISTA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2023, 2022 and 2021
(Amounts in thousands)

	2023	2022	2021
Net income	$ 42,964	$ 39,427	$ 40,546
Other comprehensive income (loss):			
Unrealized holding gains (loss) on available for sale securities	12,330	(85,517)	(8,570)
Tax effect	(2,583)	18,079	1,799
Reclassification of gains recognized in net income	—	(10)	(1)
Tax effect	—	2	—
Pension liability adjustment	972	736	992
Tax effect	(204)	(155)	(209)
Reclassification of actuatial gain recognized in net income	—	—	240
Tax effect	—	—	(50)
Total other comprehensive income (loss)	10,515	(66,865)	(5,799)
Comprehensive income (loss)	$ 53,479	$ (27,438)	$ 34,747

CIVISTA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2023, 2022 and 2021
(Amounts in thousands, except share data)

	Common Shares		Accumulated	Treasury	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Earnings	Stock	Income (Loss)	Equity
Balance, December 31, 2020	15,898,032	$ 277,039	$ 93,048	$ (34,598)	$ 14,619	$ 350,108
Net income			40,546			40,546
Other comprehensive loss					(5,799)	(5,799)
Stock-based compensation	44,633	702				702
Common share dividends ($ 0.52 per share)			(8,036)			(8,036)
Repurchase of common stock	(988,465)			(22,309)		(22,309)
Balance, December 31, 2021	14,954,200	$ 277,741	$ 125,558	$ (56,907)	$ 8,820	$ 355,212
Net income			39,427			39,427
Other comprehensive income					(66,865)	(66,865)
Stock-based compensation	36,461	819				819
Common share dividends ($ 0.56 per share)			(8,493)			(8,493)
Stock issued for acquisition of Comunibanc Corp.	984,723	21,122				21,122
Stock issued for acquisition of Vision Financial Group, Inc.	500,293	10,500				10,500
Repurchase of common stock	(747,443)	—		(16,887)		(16,887)
Balance, December 31, 2022	15,728,234	$ 310,182	$ 156,492	$ (73,794)	$ (58,045)	$ 334,835
Cumulative-effect adjustment for adoption of ASC 326			(6,069)			
Balance January 1, 2023	15,728,234	$ 310,182	$ 150,423	$ (73,794)	$ (58,045)	$ 328,766

Net income			42,964			42,964
Other comprehensive income					10,515	10,515
Stock-based compensation	57,613	984				984
Common share dividends ($ 0.61 per share)			(9,599)			(9,599)
Repurchase of common stock	(90,423)	—		(1,628)		(1,628)
Balance, December 31, 2023	15,695,424	$ 311,166	$ 183,788	$ (75,422)	$ (47,530)	$ 372,002

CIVISTA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023, 2022 and 2021
(Amounts in thousands)

	2023	2022	2021
Cash flows from operating activities:			
Net income	$ 42,964	$ 39,427	$ 40,546
Adjustments to reconcile net income to net cash from operating activities			
Time deposits amortization	7	8	8
Security amortization, net	468	1,607	1,376
Depreciation	10,760	4,456	1,976
Amortization of core deposit intangible	1,579	1,296	890
Amortization of net deferred loan fees	(1,299)	(2,859)	(10,738)
Loss on sale of fixed assets	(82)	0	0
Net gain on sale of securities	0	(10)	(1,786)
Net (gain) loss on equity securities	21	(118)	(186)
Provision for loan losses	4,435	1,752	830
Loans and leases originated for sale	(101,170)	(126,507)	(255,265)
Proceeds from sale of loans and leases	103,036	131,193	268,336
Net gain on sale of loans	(2,908)	(3,397)	(8,042)
Increase in cash surrender value of bank owned life insurance	(1,112)	(984)	(1,200)
Share-based compensation	984	819	702
Deferred taxes	(675)	483	1,319
Change in:			
Accrued interest payable	8,858	302	111

Accrued interest receivable	(1,641)	(2,049)	2,036
Other, net	(1,527)	(20,236)	(152)
Net cash provided by operating activities	62,698	25,183	40,761
Cash flows used for investing activities:			
Investments in time securities			
Maturities	245	1312	980
Purchases	—	(245)	(245)
Securities available for sale			
Maturities, prepayments and calls	23,138	49,276	61,927
Sales	—	57,332	1,810
Purchases	(14,146)	(128,860)	(268,309)
Purchases of other securities	(32,311)	(16,646)	—
Redemption of other securities	35,898	1,625	3,526
Purchase of equity securities	—	(1,000)	—
Purchases of bank owned life insurance	(7,000)	—	—
Proceeds from bank owned life insurance	320	—	535
Net change in loans	(314,499)	(315,190)	71,072
Proceeds from sale of OREO properties	—	—	122
Acquisitions, net of cash	—	(51,643)	—
Premises and equipment purchases	(3,429)	(6,508)	(1,927)
Disposal of premises and equipment	0	183	13
Net cash used in investing activities	(311,784)	(410,364)	(130,496)

CIVISTA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended December 31, 2023, 2022 and 2021
(Amounts in thousands)

	2023	2022	2021
Cash flows from financing activities:			
Increase (decrease) in deposits	365,044	(67,911)	227,303
Net change in short-term FHLB advances	(1,186)	393,700	—
Repayment of long-term FHLB advances	(55,700)	(93,128)	(50,000)
Change in other borrowings	(5,657)	(42,626)	—
Proceeds from subordinated debentures	—	—	73,386
Increase (decrease) in securities sold under repurchase agreements	(25,143)	(352)	(3,419)
Repurchase of common stock	(1,628)	(16,887)	(22,309)
Cash dividends paid	(9,599)	(8,493)	(8,036)
Net cash provided by financing activities	266,131	164,303	216,925
Increase (decrease) in cash and due from financial institutions	17,045	(220,878)	127,190
Cash and cash equivalents at beginning of year	43,361	264,239	137,049
Cash and cash equivalents at end of year	$ 60,406	$ 43,361	$ 264,239
Supplemental disclosures of cash flow information:			
Interest paid	$ 48,380	$ 10,696	$ 6,206
Income taxes paid	9,510	3,145	6,180
Transfer of loans from portfolio to other real estate owned	—	—	72
Securities purchased not settled	—	1,338	3,524

The Company purchased all of the capital stock of Comunibanc Corp. for $46,090 on July 1, 2022. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 340,649
Less: common stock issued	21,122
Less: cash paid for the capital	24,968
Liabilities assumed	$ 294,559

The Company purchased all of the capital stock of Vision Financial Group for $ 46,544 on October 1, 2022. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 126,852
Less: common stock issued	10,500
Less: cash paid for the capital	36,044
Liabilities assumed	$ 80,308

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by Civista Bancshares, Inc., which have a significant effect on the Consolidated Financial Statements.

Nature of Operations and Principles of Consolidation: The Consolidated Financial Statements include the accounts of Civista Bancshares, Inc. (“CBI”) and its wholly-owned direct and indirect subsidiaries: Civista Bank (“Civista”), First Citizens Insurance Agency, Inc. (“FCIA”), Water Street Properties, Inc. (“WSP”), CIVB Risk Management, Inc. (“CRMI”), First Citizens Capital LLC (“FCC”) and First Citizens Investments, Inc. (“FCI”). The above companies together are sometimes referred to as the “Company”. Intercompany balances and transactions are eliminated in consolidation.

Civista provides financial services through its offices in the Ohio counties of Erie, Crawford, Champaign, Cuyahoga, Franklin, Logan, Summit, Huron, Ottawa, Madison, Montgomery, Henry, Wood and Richland, in the Indiana counties of Dearborn and Ripley and in the Kentucky county of Kenton. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, our customers’ ability to repay their loans is dependent on the real estate and general economic conditions in the area. Other financial instruments that potentially represent concentrations of credit risk include deposit accounts in other financial institutions.

Civista Leasing and Finance ("CLF"), formerly known as Vision Financial Group, Inc. ("VFG") was acquired in the fourth quarter of 2022 as a wholly owned subsidiary of Civista. Effective as of August 31, 2023, VFG was merged with and into Civista, and CLF is now operated as a full-service general equipment leasing and financing division of Civista. The operations of CLF are located in Pittsburgh, Pennsylvania.

FCIA was formed to allow the Company to participate in commission revenue generated through its third party insurance agreement. Insurance commission revenue was less than

1.0

% of total revenue for each of the years ended December 31, 2023, 2022 and 2021 . WSP was formed to hold repossessed assets of CBI’s subsidiaries. WSP revenue was less than

1

% of total revenue for each of the years ended December 31, 2023, 2022 and 2023 . CRMI was formed in 2017 to provide property and casualty insurance coverage to CBI and its subsidiaries for which insurance may not be currently available or economically feasible in the insurance marketplace. CRMI revenue was less than

1

% of total revenue for each of the years ended December 31, 2023, 2022 and 2021 . FCC was formed as a wholly-owned subsidiary of Civista in Wilmington, Delaware to hold inter-company debt. The operations of FCC were discontinued December 31, 2021. FCI is wholly-owned by Civista and holds and manages its securities portfolio. The operations of FCI are located in Wilmington, Delaware.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for credit losses, determination of goodwill impairment, fair values of financial instruments, valuation of deferred tax assets, pension obligations and other-than-temporary-impairment of securities are considered material estimates that are particularly susceptible to significant change in the near term.

Cash Flows: Cash and cash equivalents include cash on hand and demand deposits with financial institutions with original maturities of less than 90 days. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, federal funds purchased, short-term borrowings and repurchase agreements. The Company routinely maintains balances that exceed FDIC insured limits but believes the risk of loss is very low with respect to such deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities: Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are based on the amortized cost of the security sold using the specific identification method.

Other securities which include Federal Home Loan Bank ("FHLB") stock, Federal Reserve Bank (“FRB”) stock, Federal Agricultural Mortgage Corporation stock, United Bankers' Bancorporation Inc. (“UBBI”) stock, and Norwalk Community Development Corporation (“NCDC”) stock are carried at cost.

Equity securities: Equity securities are held at fair value. Holding gains and losses are recorded in noninterest income. Dividends are recognized as income when earned.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market and loans that management no longer intends to hold for the foreseeable future, are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans and leases: Loans and leases that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan and leases losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Interest income on consumer loans is discontinued when management determines future collection is unlikely. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not received, for loans placed on nonaccrual, is reversed against interest income. Interest received on such 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.

The Company provides financing leases for the purchase of business equipment. At the inception of each lease, the lease receivables, together with the present value of the estimated unguaranteed residual values are recorded as lease receivables within loans in the consolidated financial statements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, net of unamortized deferred lease origination fees and costs and unearned income. Only those costs incurred as a direct result of closing a lease transaction are capitalized and all initial direct costs are expensed immediately. Interest income on direct financing leases is recognized over the term of the lease to achieve a constant periodic rate of return on the outstanding investment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses: On January 1, 2023 , the Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments ("ASU 2016-13").* ASU 2016-13 introduces a new credit loss methodology, Current Expected Credit Losses ("CECL"), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. ASU 2016-13 amends guidance on reporting credit losses for financial assets held at amortized cost basis and available for sale debt securities. ASU 2016-13 eliminates the probable initial recognition threshold previously required under Generally Accepted Accounting Principles ("GAAP") and instead, requires an entity to reflect its current estimate of all expected credit losses based on historical experience, current conditions and reasonable and supportable forecasts. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the reserve for credit losses. In addition, entities need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination.

The Company adopted Accounting Standards Certification ("ASC") 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the periods beginning after January 1, 2023 are presented under Accounting Standards Codification ("ASC") 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company adopted ASC 326 using the prospective transition approach for purchased credit deteriorated ("PCD") financial assets that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with ASC 326, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of the PCD assets was adjusted to reflect the addition of $

1,668
to the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of January 1, 2023. The adoption of CECL resulted in an increase to our total allowance for credit losses ("ACL") on loans held for investment of $

4.3
million, an increase in allowance for credit losses on unfunded loan commitments of $

3.4
million, a reclassification of PCI discount from loans to the ACL of $

1.7
million, and an increase in deferred tax asset of $

1.6
million. The Company also recorded a net reduction of retained earnings of $

6.1
million upon adoption.

The allowance for credit losses is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Portfolio Segmentation ("Pooled Loans")

Portfolio segmentation is defined as the pooling of loans based upon similar risk characteristics such that quantitative methodologies and qualitative adjustment factors for estimating the allowance for credit losses are constructed for each segment. The Company has identified nine portfolio segments of loans including Commercial & Agriculture, Commercial Real Estate – Owner Occupied, Commercial Real Estate – Non-Owner Occupied, Residential Real Estate, Real Estate Construction, Home Equity Line of Credit, Farm Real Estate, Lease Financing Receivable and Consumer and Other Loans.

The allowance for credit losses for Pooled Loans is estimated based upon periodic review of the collectability of the loans quantitatively correlating historical loan experience with reasonable and supportable forecasts using forward looking information. The Company utilized a discounted cash flow (DCF) method to estimate the quantitative portion of the allowance for credit losses for loans evaluated on a collective pooled basis. For each segment, a loss driver analysis (LDA) was performed in order to identify appropriate loss drivers and create a regression model for use in forecasting cash flows. The LDA utilized the Company's own Federal Financial Institutions Examination Council's ("FFIEC") Call Report data for all segments except indirect auto and all new and unknown values. Peer data was incorporated into the analysis for all segments except indirect auto and all new and unknown values. The Company uses regression analysis to determine suitable loss drivers to utilize when modeling lifetime probability of default and loss given default for the changes in the economic factors for the loss driver segments. The identified loss drivers for all segments as of December 31, 2023 are national unemployment rate and national gross domestic product growth. Peer data is utilized in our model as more statistically supportable data. The Company uses actual loss data for the lease portfolio due to a lack of appropriate peer leasing data to forecast loss drivers.

Key inputs into the DCF model include loan-level detail, including the amortized cost basis of individual loans, payment structure, loss history, and forecasted loss drivers. The Company uses the central tendency midpoint seasonally adjusted forecasts from the Federal Open Market Committee (FOMC). Other key assumptions include the probability of default (PD), loss given default (LGD), and prepayment/curtailment rates. When possible, the Company utilizes its own PDs for the reasonable and supportable forecast period. When it is not possible to use the Company's own PDs, the LDA is utilized to determine PDs based on the forecasted economic factors. In all cases, the LDA is then utilized to determine the long-term historical average, which is reached over the reversion period. When possible, the Company utilizes its own LGDs for the reasonable and supportable forecast period. When it is not possible to use the Company's own LGDs, the LGD is derived using a method referred to as Frye Jacobs. The Frye Jacobs method is a mathematical formula that traces the relationship between LGD and PD over time and projects the LGD based on the level of PD forecasted. In all cases, the Frye Jacobs method is utilized to calculate LGDs during the reversion period and long-term historical average. Prepayment and curtailment rates were calculated based on the Company's own data utilizing a one-year average. When the discounted cash flow method is used to determine the allowance for credit losses, management incorporates expected prepayments to determine the effective interest rate utilized to discount expected cash flow.

Adjustments to the quantitative evaluation may be made to account for differences in current or expected qualitative risk characteristics such as changes in: (i) lending policies and procedures; (ii) experience and depth of lending and management staff; (iii) quality of credit review system; (iv) nature and volume of portfolio; (v) past due, classified and non accrual loans; (vi) economic and business conditions; (vii) competition or legal and regulatory requirements; (viii) concentrations within the portfolio; (ix) underlying collateral for collateral dependent loans.

Purchased Credit Deteriorated (PCD) Loans

The Company has purchased loans, some of which have shown evidence of credit deterioration since origination. Upon adoption of ASC 326, the Company elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. Loans are only removed from the existing pools if they are written off, paid off, or sold. Upon adoption of ASC 326, the allowance for credit losses was determined for each pool and added to the pool's carrying amount to establish a new amortized

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cost basis. The difference between the unpaid principal balance of the pool and the new amortized cost basis is the noncredit premium or discount which will be amortized into interest income over the remaining life of the pool. Changes to the allowance for credit losses after adoption are recorded through provision expense.

Individually Evaluated Loans

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans included in the forecasted allowance for credit losses. These individually evaluated loans are removed from the pooling approach discussed above for the forecasted allowance for credit losses, and include nonaccrual loans, loan and lease modifications experiencing financial difficulty, and other loans deemed appropriate by management.

Available for Sale ("AFS") Debt Securities

For AFS securities in an unrealized loss position, we first assess whether (i) we intend to sell, or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine 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 any 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. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Accrued Interest Receivable

Upon adoption of ASU 2016-13 and its related amendments on January 1, 2023, the Company made the following elections regarding accrued interest receivable:

- Presenting accrued interest receivable balances separately within another line item on the statement of financial condition.
- Excluding accrued interest receivable that is included in the amortized cost of financing receivables and debt securities from related disclosure requirements.
- Continuing our policy to write off accrued interest receivable by reversing interest income. For both commercial and consumer loans, the write off typically occurs upon becoming 90 days past due. Historically, the Company has not experienced uncollectible accrued interest receivable on its investment securities. However, the Company would generally write off accrued interest receivable by reversing interest income if the Company does not reasonably expect to receive payments. Due to the timely manner in which accrued interest receivables are written off, the amounts of such write offs are immaterial.
- Not measuring an allowance for credit losses for accrued interest receivable due to the Company's policy of writing off uncollectible accrued interest receivable balances in a timely manner, as described above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve for Unfunded Commitments

The reserve for unfunded commitments (the “Unfunded Reserve”) represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit and standby letters of credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The Company is defining unconditionally cancelable in its literal sense, meaning that a commitment may be cancelled by the Company for any, or for no reason whatsoever. However, the Company in its business dealings, has no practical history of unconditionally canceling commitments. Commitments are not typically cancelled until a default or a defined condition occurs. Being that its historical practice has been to not cancel credit commitments unconditionally, the Company has made the decision to reserve for Unfunded Commitments. The Unfunded Reserve is recognized as a liability (included within other liabilities in the Consolidated Balance Sheets), with adjustments to the reserve recognized as noninterest expense in the Consolidated Statements of Operations. The Unfunded Reserve is determined by estimating expected future fundings, under each segment, and applying the expected loss rates. Expected future fundings over the estimated life of commitments are based on historical averages of funding rates (i.e., the likelihood of draws taken). To estimate future fundings on unfunded balances, current funding rates are compared to historical funding rates. Estimate of credit losses are determined using the same loss rates as funded loans.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in financial statements and the disclosures provided, and future results could differ. The allowance for credit losses, consideration of impairment of goodwill, fair values of financial instruments, deferred taxes, swap assets/liabilities and pension obligations are particularly subject to change.

Adoption of New Accounting Standards:

In June 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). The ASU introduces a new credit loss methodology, CECL, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods under prior GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

On January 1, 2023, the Company adopted the guidance prospectively with a cumulative adjustment to retained earnings. The Company has not restated comparative information for 2022 and, therefore, the comparative information for 2022 is reported under the old model and is not comparable to the information presented for 2023.

(Amounts in thousands, except share data)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At adoption, the Company recognized an incremental allowance for credit losses on its loans to customers of $ 4.3 million, a liability for off-balance sheet unfunded commitments of $ 3.4 million and a reclassification of the discount on PCI loans to the ACL of $ 1.7 million. Additionally, the Company recorded a $ 6.1 million after tax decrease in retained earnings associated with the increased estimated credit losses. The “Day 1” impact of CECL adoption is summarized below:

CECL Adoption	December 31, 2022	CECL Adoption Impact	Impact of Adopting ASC 326 - PCD Loans	January 1, 2023
Allowance for Credit Losses:				
Commercial & Agriculture	$ 3,011	$ 429	$ 390	$ 3,830
Commercial Real Estate:				
Owner Occupied	4,565	1,075	179	5,819
Non-Owner Occupied	14,138	(2,847)	—	11,291
Residential Real Estate	3,145	2,762	386	6,293
Real Estate Construction	2,293	1,502	—	3,795
Farm Real Estate	291	(28)	—	263
Lease Financing Receivable	429	1,743	635	2,807
Consumer and Other	98	201	78	377
Unallocated	541	(541)	—	—

Total Allowance for Credit Losses	$ 28,511	$ 4,296	$ 1,668	$ 34,475
Reserve for Unfunded Commitments	—	3,386	—	3,386
Total Reserve for Credit Losses	$ 28,511	$ 7,682	$ 1,668	$ 37,861
Retained Earnings				
Total Pre-tax Impact		$ (7,682)		
Tax Effect		1,613		
Decrease to Retained Earnings		$ (6,069)		

The Company adopted Accounting Standards Certification ("ASC") 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the periods beginning after January 1, 2023 are presented under Accounting Standards Codification (“ASC”) 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company adopted ASC 326 using the prospective transition approach for purchased credit deteriorated ("PCD") financial assets that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30. In accordance with ASC 326, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of the PCD assets was adjusted to reflect the addition of $ 1,668 to the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of January 1, 2023. The adoption of CECL resulted in an increase to our total allowance for credit losses (“ACL”) on loans held for investment of $ 4.3 million, an increase in allowance for credit losses on unfunded loan commitments of $ 3.4 million, a reclassification of PCI discount from loans to the ACL of $ 1.7 million, and an increase in deferred tax asset of $ 1.6 million. The Company also recorded a net reduction of retained earnings of $ 6.1 million upon adoption.

The allowance for credit losses is evaluated on a regular basis and established through charges to earnings in the form of a provision for credit losses. When a loan or portion of a loan is determined to be uncollectible, the portion deemed uncollectible is charged against the allowance and subsequent recoveries, if any, are credited to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company did not record an allowance for available-for-sale securities on Day 1 as the investment portfolio consists primarily of debt securities explicitly or implicitly backed by the U.S. Government for which credit risk is deemed minimal. The impact going forward will depend on the composition, characteristics, and credit quality of the securities portfolio as well as the economic conditions at future reporting periods.

On January 1, 2023, the Company adopted ASU *2022-02*, Financial Instruments - *Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02")*. ASU 2022-02 eliminates the recognition and measurement guidance for troubled debt restructurings and requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. This ASU also requires enhanced disclosure for loans that have been charged off. The adoption of ASU 2022-02 provisions did not have a significant impact on the Company's Consolidated Financial Statements.

<u>Loan Charge-off Policies:</u> All unsecured open- and closed-ended retail loans that become past due 90 days from the contractual due date are charged off in full. In lieu of charging off the entire loan balance, loans with non-real estate collateral may be written down to the net realizable value of the collateral, if repossession of collateral is assured and in process. For open- and closed-ended loans secured by residential real estate, a current assessment of fair value is made no later than 180 days past due. Any outstanding loan balance in excess of the net realizable value of the property is charged off. All other loans are generally charged down to the net realizable value when Civista recognizes the loan is permanently impaired, which is generally after the loan is 90 days past due.

<u>Other Real Estate:</u> Other real estate acquired through or instead of loan foreclosure is initially recorded at fair value less costs to sell when acquired, establishing a new cost basis and any deficiency in the value is charged off through the allowance. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

<u>Premises and Equipment:</u> Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both accelerated and straight-line methods over the estimated useful life of the asset, ranging from three to seven years for furniture and equipment and seven to fifty years for buildings and improvements.

<u>Equipment Owned Under Operating Leases:</u> As a lessor, the Company finances equipment under leases to a wide variety of customers, from commercial and industrial to government and healthcare classified as operating leases. The equipment underlying the operating leases is reported at cost, net of accumulated depreciation, within Premises and Equipment on the Consolidated Balance Sheets. These operating lease arrangements require the lessee to make a fixed monthly rental payment over a specified lease term generally ranging from 3 years to 6 years. Revenue consists of the contractual lease payments and is recognized on a straight-line basis over the lease term and reported in Noninterest Income on the Consolidated Statements of Operations. Leased assets are depreciated on a straight-line method over the lease term to the estimate of the equipment's fair market value at lease termination, also referred to as "residual" value. The depreciation of these operating lease assets is reported in Noninterest Expense on the Consolidated Statements of Operations. For equipment leases, fair value may be based upon observable market prices, third-party valuations, or prices received on sales of similar assets at the end of the lease term. These residual values are reviewed annually to ensure the recorded amount does not exceed the fair market value at the lease termination. At the end of the lease, the operating lease asset is either purchased by the lessee or returned to the Company.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Home Loan Bank (FHLB) Stock: Civista is a member of the FHLB of Cincinnati and as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $

100

par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost and evaluated for impairment by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (*a*) the significance of the decline in net assets of the FHLB as compared to the capital stock amount and the length of time this situation has persisted, (*b*) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (*c*) the impact of legislative and regulatory changes on the customer base of the FHLB, and (*d*) the liquidity position of the FHLB. With consideration given to these factors, management concluded that the FHLB stock was not impaired at December 31, 2023 or 2022. FHLB Stock is included in Other Securities on the Consolidated Balance Sheet

Federal Reserve Bank (FRB) Stock: Civista is a member of the Federal Reserve System. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. FRB Stock is included in Other Securities on the Consolidated Balance Sheet.

Bank Owned Life Insurance (BOLI): Civista has purchased BOLI policies on certain key executives. BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Changes in the cash surrender value are recorded as income in the period that the change occurs.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Other intangible assets consist of core deposit intangibles arising from whole bank and branch acquisitions. These intangible assets are measured at fair value and then amortized on an accelerated method over their estimated useful lives, which range from five to twelve years .

On January 1, 2023 , the Company adopted ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this Update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. A public business entity that is an SEC filer, such as the Company, was to adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. In November 2019, however, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date for ASC 350, *Intangibles – Goodwill and Other*, for SEC filers that were eligible to be smaller reporting companies as of November 15, 2019, such as the Company, to fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The adoption of the ASU provisions did no t have a significant impact on the Company's Consolidated Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Rights: Mortgage servicing rights are recognized as assets for the allocated value of retained mortgage servicing rights on loans sold. Mortgage servicing rights are initially recorded at fair value at the date of transfer. The valuation technique uses the present value of estimated future cash flows using current market discount rates. Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and then, secondarily, prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment of a grouping is reported as a valuation allowance to the extent that fair value is less than the capitalized asset for the grouping.

Long-lived Assets: Premises and equipment and other intangible assets, 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.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

The Company prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on the fair value of these awards at the grant date. The market price of the Company's common shares at the date of the grant is used for restricted shares.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Retirement Plans: Pension expense is the net of service and interest cost, expected return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense consists of the amount of matching contributions. Deferred compensation allocates the benefits over the years of service.

Earnings per Common Share: Earnings per share is computed using the two-class method. Basic earnings per share are net income available to common shareholders divided by the weighted average number of common shares outstanding during the period, which excludes participating securities. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable related to convertible preferred shares. Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income (Loss): Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale and changes in the funded status of the pension plan.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that any such loss contingencies currently exist that will have a material effect on the financial statements.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank is required to meet regulatory reserve and clearing requirements. These balances do not earn interest. The required reserve amount at December 31, 2023 was $

0
. The Company did

no
t have any cash pledged as collateral on its interest rate swaps with third party financial institutions at December 31, 2023.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by Civista to CBI or by CBI to shareholders. Additional information related to dividend restrictions can be found in Note 19.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions that reflect exit price value, as more fully disclosed in Note 17. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Segments: While the Company's chief decision makers monitor the revenue streams of the Company's various products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the Company's financial service operations are considered by management to be aggregated in

one
reportable operating segment.

Treasury Stock: CBI common shares that are repurchased are recorded in treasury stock at cost.

Business Combinations: At the date of acquisition the Company records the assets and liabilities of acquired companies on the Consolidated Balance Sheets at their fair value. The results of operations for acquired companies are included in the Company's Consolidated Statements of Operations beginning at the acquisition date. Expenses arising from acquisition activities are recorded in the Consolidated Statements of Operations during the period incurred.

Derivative Instruments and Hedging Activities: The Company enters into interest rate swap agreements to facilitate the risk management strategies of a small number of commercial banking customers. All derivatives are accounted for in accordance with ASC-815, *Derivatives and Hedging.* The Company mitigates the risk of entering into these agreements by entering into equal and offsetting swap agreements with highly rated third party financial institutions. The swap agreements are free-standing derivatives and are recorded at fair value in the Company's Consolidated Balance Sheets. Changes in fair value are recorded as income or expense in the period that they occur. The Company is party to master netting arrangements with its financial institution counterparties. The master netting arrangements provide for a single net settlement of all swap agreements, as well as collateral, in the event of default on, or termination of, any one contract. Collateral, in the form of cash and marketable securities, is posted by the counterparty with net liability positions in accordance with contract thresholds.

Revisions: Certain revisions have been made to the 2022 and 2021 consolidated financial statements. The fair market value for loans disclosed in Note 17 as of December 31, 2022, was revised from $

2,160,920
to $

2,528,906
due to an error in the calculation. Loans and secured borrowings increased $

101,615
in the Consolidated Balance Sheet as of December 31, 2022, for certain loan participations sold that were deemed to not qualify for sales accounting under ASC 860. Interest income and interest expense increased $

4,902
and $

3,312
, respectively in the Consolidated Statement of Operations as of and for the years ended December 31, 2022 and 2021 for certain loan participations sold that were deemed to not qualify for sales accounting under ASC 860. These revisions did not have a significant impact on the consolidated financial statement line items impacted and had no effect on net income.

Effect of Newly Issued but Not Yet Effective Accounting Standards:

In January 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, March 2020*, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (SOFR). Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met, and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective for all entities upon issuance through December 31, 2022. However, a deferral of the implementation of reference rate reform was issued in December of 2022, which extends the implementation to December 31, 2024. The Company is working through this transition via a multi-disciplinary project

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

team. However, the financial impact on our financial condition, results of operations and cash flows will depend on the population of contracts that are still outstanding on the date the underlying indexes are no longer published.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments apply to all public entities that are required to report segment information in accordance with FASB ASC Topic 280, Segment Reporting. The amendments in the ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss. Public entities are required to disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. In addition, public entities must provide all annual disclosures about a reportable segment’s profit or loss and assets currently required by FASB ASC Topic 280, Segment Reporting, in interim periods. The amendments clarify that if the CODM uses more than one measure of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity’s consolidated financial statements. The Amendments require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Finally, the amendments require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in ASC Topic 280. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the potential impacts related to the adoption of the ASU.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." The amendments require that public business entities on an annual basis (a) disclose specific categories in the rate reconciliation and (b) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than

5

percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The amendments also require that all entities disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes, and the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than

5

percent of total income taxes paid (net of refunds received). The amendments require that all entities disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The ASU is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the potential impacts related to the adoption of the ASU.

(Amounts in thousands, except share data)

NOTE 2 - ACQUISITIONS

On July 1, 2022, CBI completed the acquisition by merger of Comunibanc Corp. in a stock and cash transaction for aggregate consideration of approximately $

46,090

. As a result of the acquisition, the Company issued

984,723

common shares and paid approximately $

24,968

in cash to the former shareholders of Comunibanc Corp. The Company and Comunibanc Corp. had first announced that they had entered into an agreement to merge in January of 2022. Immediately following the merger, Comunibanc Corp.'s banking subsidiary, The Henry County Bank (HCB), was merged into CBI's banking subsidiary, Civista Bank.

The assets and liabilities of Comunibanc Corp. were recorded on the Company's Consolidated Balance Sheet at their preliminary estimated fair values as of July 1, 2022, the acquisition date. The Company recorded $

26,209

in goodwill and $

4,426

in core deposit intangibles, representing the principal change in goodwill and intangibles from December 31, 2021.

None

of the purchase price is deductible for tax purposes.

At the time of the merger, Comunibanc Corp had total consolidated assets of $

315,083

, including $

175,500

in loans, and $

271,081

in deposits. The transaction was recorded as a purchase and, accordingly, the operating results of Comunibanc Corp. and HCB have been included in the Company's Consolidated Financial Statements since the close of business on July 1, 2022.

Identifiable intangibles are amortized to their estimated residual values over the expected useful lives. Such lives are also periodically reassessed to determine if any amortization period adjustments are required. The identifiable intangible assets consist of core deposit intangible which is being amortized over the estimated useful life. The gross carrying amount of the core deposit intangible at December 31, 2022 was $

3,999

.

In connection with the Comunibanc merger in 2022, the Company incurred additional third-party acquisition-related costs of $

2.9

million. These expenses are comprised of employee benefits of $

210.7

thousand, occupancy and equipment expenses of $

110.7

thousand, software expense of $

36.0

thousand, consulting and other professional fees of $

905.2

thousand, data processing costs of $

1.0

million and other operating expenses of $

647.5

thousand in the Company's Consolidated Statement of Operations for the twelve-month period ended December 31, 2022.

As of December 31, 2022, the estimated future amortization expense for the core deposit intangible is as follows:

	Core deposit intangibles

2023	$ 739
2024	684
2025	604
2026	523
2027	443
Thereafter	1,006
	$ 3,999

The following table presents financial information for the former Comunibanc Corp. included in the Consolidated Statements of Operations from the date of acquisition through December 31, 2022.

	Actual From Acquisition Date Through December 31, 2022 (in thousands)
Net interest income after provision for loan losses	$ 3,428
Noninterest income	159
Net income	1,719

(Amounts in thousands, except share data)

NOTE 2 - ACQUISITIONS (Continued)

The following table presents pro forma information for the twelve-month periods ended December 31, 2022, 2021 and 2020 as if the acquisition of Comunibanc Corp. had occurred on January 1, 2020. This table has been prepared for comparative purposes only and is not indicative of the actual results that would have been attained had the acquisition occurred as of the beginning of the periods presented, nor is it indicative of future results. Furthermore, the unaudited pro forma information does not reflect management's estimate of any revenue-enhancing opportunities nor anticipated cost savings as a result of the integration and consolidation of the acquisition.

	Pro Formas (unaudited) Twelve Months ended December 31,		
	2022	2021	2020
Net interest income after provision for loan losses	$ 113,689	$ 103,583	$ 88,293
Noninterest income	29,451	32,768	29,870
Net income	39,095	42,482	34,374
Pro forma earnings per share:			
Basic	$ 2.42	$ 2.59	$ 2.01
Diluted	$ 2.42	$ 2.59	$ 2.01

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for Comunibanc Corp. Core deposit intangibles will be amortized over ten years using an accelerated method. Goodwill will not be amortized, but instead will be evaluated for impairment.

Cash paid		$ 24,968
Common shares issued (984,723 shares)		21,122
Total		$ 46,090
Net assets acquired:		
Cash and due from financial institutions	$ 3,098	
Securities available for sale	120,399	
Time deposits	742	
Loans, net	169,202	
Other securities	1,553	

Premises and equipment	4,665	
Accrued interest receivable	670	
Core deposit intangible	4,426	
Bank owned life insurance	5,918	
Other assets	3,767	
Noninterest-bearing deposits	(122,642)	
Interest-bearing deposits	(148,552)	
Other borrowings	(21,706)	
Other liabilities	(1,659)	
		19,881
Goodwill resulting from Comunibanc Corp. acquisition		$ 26,209

Loans purchased with evidence of credit deterioration since origination and for which it was probable that all contractually required payments would not be collected were considered to be credit impaired. Evidence of credit quality deterioration as of the purchase date included information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Purchased credit-impaired loans were accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality (ASC 310-30) and initially measured at fair value, which included estimated future credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for credit losses related to these loans was not carried over and recorded at the acquisition date. Management estimated the cash flows expected to be collected at acquisition using our internal risk models, which incorporated the estimate of the current assumptions, such as default rates, severity and prepayment speeds.

NOTE 2 - ACQUISITIONS (Continued)

The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30:

	At December 31, 2022 Acquired Loans with Specific Evidence of Deterioration of Credit Quality (ASC 310-30) (In Thousands)
Outstanding balance	$ 4,768
Carrying amount	4,121

The gross principal due under the contract for acquired receivables not subject to ASC 310-30 is $ 171.1 million. The fair value adjustment is $ 2.1 million and the contractual cash flows not expected to be collected is $ 5.7 million.

The acquired assets and liabilities were measured at estimated fair values. Management made certain estimates and exercised judgment in accounting for the acquisition.

The amount of goodwill recorded reflects a strategic opportunity to expand into new markets that, while similar to existing markets, are projected to be more vibrant in population growth and business opportunity growth. The goodwill represents the excess purchase price over the estimated fair value of the net assets acquired. Additionally, the acquisition will provide exposure to suburbs of larger urban areas without the commitment of operating inside large metropolitan areas dominated by regional and national financial organizations. The acquisition is also expected to create synergies on the operational side of the Company by allowing noninterest expenses to be spread over a larger operating base.

On October 3, 2022, CBI and Civista completed the acquisition by Civista of all of the issued and outstanding shares of capital stock of VFG for aggregate cash and stock consideration of approximately $ 46,544. As a result of the acquisition, the Company issued 500,293 common shares and paid approximately $ 36,044 in cash.

The assets and liabilities of VFG were recorded on the Company’s Consolidated Balance Sheet at their preliminary estimated fair values as of October 3, 2022, the acquisition date. The Company recorded $ 22,635 in goodwill, representing the principal change in goodwill from December 31, 2021. None of the purchase price is deductible for tax purposes.

At the time of the acquisition, VFG had total consolidated assets of $ 93,870, including $ 62,712 in loans and leases. The transaction was recorded as a purchase and, accordingly, the operating results of VFG have been included in the Company’s Consolidated Financial Statements since the close of business on October 3, 2022. Effective as of August 31, 2023, VFG was merged with and into Civista, and CLF is now operated as a full-service general equipment leasing and financing division of Civista.

In connection with the VFG acquisition in 2022, the Company incurred additional third-party acquisition-related costs of $ 814.3 thousand. These expenses are comprised of consulting and other professional fees of $ 812.8

thousand and other operating expenses of $

1.5
thousand in the Company’s Consolidated Statement of Operations for the twelve-month period ended December 31, 2022.

NOTE 2 - ACQUISITIONS (Continued)

The following table presents financial information for VFG included in the Consolidated Statements of Operations from the date of acquisition through December 31, 2022.

	Actual From Acquisition Date Through December 31, 2022 (in thousands)
Net interest income after provision for loan losses	$ 403
Noninterest income	3,926
Net loss	(992)

Pro forma information for the twelve-month periods ended December 31, 2022, 2021 and 2020 is not presented as the acquisition of VFG was determined to not to be a significant transaction.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for VFG. Goodwill will not be amortized, but instead will be evaluated for impairment.

Cash paid		$ 36,044
Common shares issued (250,145 shares)		5,250
Common shares issued (contingent consideration) (250,148 shares)		5,250
Total		$ 46,544
Net assets acquired:		
Cash and due from financial institutions	$ 6,271	
Time Deposits	80	
Loans, net	61,418	
Premises and equipment	35,039	
Other assets	1,409	
Other borrowings	(58,142)	

Other liabilities	(22,166)	
		23,909
Goodwill resulting from VFG acquisition		$ 22,635

Loans purchased with evidence of credit deterioration since origination and for which it was probable that all contractually required payments would not be collected were considered to be credit impaired. Evidence of credit quality deterioration as of the purchase date included information such as past-due and nonaccrual status, borrower credit scores and recent loan to value percentages. Purchased credit-impaired loans were accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality (ASC 310-30) and initially measured at fair value, which included estimated future credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for credit losses related to these loans was not carried over and recorded at the acquisition date. Management estimated the cash flows expected to be collected at acquisition using our internal risk models, which incorporated the estimate of the current assumptions, such as default rates, severity and prepayment speeds.

NOTE 2 - ACQUISITIONS (Continued)

The contingent consideration arrangement requires Civista to pay the former owners of VFG, over two years , and subject to meeting certain lease origination thresholds for each year, or meeting a combined threshold for the two years , up to a maximum amount of $ 5,250 , undiscounted. The potential undiscounted amount of all future payments Civista could be required to make under the contingent consideration arrangement is between $ 0 and $ 5,250 . The fair value of the contingent consideration arrangement of $ 5,250 was estimated based on significant inputs that are not observable in the market, which are considered Level 3 inputs in accordance with ASC Topic 820. Key assumptions include the CIVB share price at close, management's assumptions and the probability that the vesting thresholds will be met. The common shares subject to the contingent consideration arrangement have been issued and are considered restricted with participating rights with voting, dividends and distribution rights prior to vesting or forfeiture. If the lease origination thresholds are not met, the shares issued will be forfeited.

The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30:

	At December 31, 2022 Acquired Loans with Specific Evidence of Deterioration of Credit Quality (ASC 310-30) (In Thousands)
Outstanding balance	$ 635
Carrying amount	—

The gross principal due under the contract for acquired receivables not subject to ASC 310-30 is $ 62.1 million. The fair value adjustment is $ 2.3 million and the contractual cash flows not expected to be collected is $ 658.8 thousand.

The acquired assets and liabilities were measured at estimated fair values. Management made certain estimates and exercised judgment in accounting for the acquisition.

The amount of goodwill recorded reflects the excess purchase price over the estimated fair value of the net assets acquired.

NOTE 3 - SECURITIES

The amortized cost and fair value of available for sale securities and the related gross unrealized gains and losses recognized were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
U.S. Treasury securities and obligations of U.S. government agencies	$ 71,418	$ 315	$ (4,075)	$ 67,658
Obligations of states and political subdivisions	359,452	2,725	(23,578)	338,599
Mortgage-back securities in government sponsored entities	242,022	19	(30,026)	212,015

Total debt securities	$ 672,892	$ 3,059	$ (57,679)	$ 618,272

(Amounts in thousands, except share data)

NOTE 3 – SECURITIES (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
U.S. Treasury securities and obligations of U.S. government agencies	$ 66,495	$ 20	$ (5,486)	$ 61,029
Obligations of states and political subdivisions	350,104	784	(33,640)	317,248
Mortgage-back securities in government sponsored entities	265,752	15	(28,642)	237,125
Total debt securities	$ 682,351	$ 819	$ (67,768)	$ 615,402

The amortized cost and fair value of securities at year end 2023 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Available for sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 2,652	$ 2,652
Due from one to five years	78,395	73,198
Due from five to ten years	38,867	37,397
Due after ten years	310,956	293,010
Mortgage-backed securities in government sponsored entities	242,022	212,015
Total securities available for sale	$ 672,892	$ 618,272

Securities with a carrying value of $211,616 and $218,344 were pledged as of December 31, 2023 and 2022, respectively, to secure public deposits, other deposits and liabilities as required or permitted by law.

Proceeds from sales of securities, gross realized gains and gross realized losses were as follows:

	2023	2022	2021
Sale proceeds	$ —	$ 57,332	$ 1,810
Gross realized gains	—	—	1,785
Gross realized losses	—	—	—
Gains from securities called or settled by the issuer	—	10	1

Debt securities with unrealized losses at year end 2023 and 2022 not recognized in income were as follows:

2023	12 Months or less		More than 12 months		Total	
Description of Securities	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury securities and obligations of U.S. government agencies	$ 224	$ (1)	$ 56,760	$ (4,074)	$ 56,984	$ (4,075)
Obligations of states and political subdivisions	19,168	(78)	162,291	(23,500)	181,459	(23,578)
Mortgage-backed securities in gov't sponsored entities	20,112	(522)	189,319	(29,504)	209,431	(30,026)
Total temporarily impaired	$ 39,504	$ (601)	$ 408,370	$ (57,078)	$ 447,874	$ (57,679)

(Amounts in thousands, except share data)

NOTE 3 – SECURITIES (Continued)

2022	12 Months or less		More than 12 months		Total	
Description of Securities	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury securities and obligations of U.S. government agencies	$ 21,042	$ (880)	$ 39,567	$ (4,606)	$ 60,609	$ (5,486)
Obligations of states and political subdivisions	169,594	(13,016)	73,967	(20,624)	243,561	(33,640)
Mortgage-backed securities in gov't sponsored entities	111,639	(4,713)	124,622	(23,929)	236,261	(28,642)
Total temporarily impaired	$ 302,275	$ (18,609)	$ 238,156	$ (49,159)	$ 540,431	$ (67,768)

For AFS securities in an unrealized loss position, we first assess whether (i) we intend to sell, or (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine 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 any 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. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. AFS securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

The Company has assessed each available for sale security position for credit impairment. Factors considered in determining whether a loss is temporary include:

- The length of time and the extent to which fair value has been below cost;
- The severity of impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer;
- If the Company intends to sell the investment;
- If it's more-likely-than-not the Company will be required to sell the investment before recovering its amortized cost basis; and
- If the Company does not expect to recover the investment's entire amortized cost basis (even if the Company does not intend to sell the investment).

The Company's review for impairment generally entails:

- Identification and evaluation of investments that have indications of impairment;
- Analysis of individual investments that have fair values less than amortized cost, including consideration of length of time each investment has been in unrealized loss position and the expected recovery period;
- Evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment; and
- Documentation of these analyses, as required by policy.

At December 31, 2023, the Company owned 394 securities that were considered temporarily impaired. The unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high

(Amounts in thousands, except share data)

NOTE 3 – SECURITIES (Continued)

credit quality, management has the intent and ability to hold these securities for the foreseeable future, and the decline in fair value is largely due to changes in market interest rates. The Company also considers sector specific credit rating changes in its analysis. The fair value is expected to recover as the securities approach their maturity date or reset date. The Company does not intend to sell until recovery and does not believe selling will be required before recovery.

The following table presents the net gains and losses on equity investments recognized in earnings at year-end 2023 and 2022, and the portion of unrealized gains and losses for the period that relates to equity investments held at year-end 2023 and 2022:

	2023	2022
Net gains (losses) recognized on equity securities during the year	$ (21)	$ 118
Less: Net gains realized on the sale of equity securities during the period	—	—
Unrealized gains (losses) recognized in equity securities held at December 31	$ (21)	$ 118

NOTE 4 - LOANS

Loans at year-end were as follows:

	2023	2022
Commercial & Agriculture	$ 304,793	$ 278,595
Commercial Real Estate - Owner Occupied	377,321	371,147
Commercial Real Estate - Non-Owner Occupied	1,161,894	1,018,736
Residential Real Estate	659,841	552,781
Real Estate Construction	260,409	243,127
Farm Real Estate	24,771	24,708
Lease financing receivable	54,642	36,797
Consumer and Other	18,056	20,775
Loan participations sold, reflected as secured borrowings	—	101,615

Total Loans	2,861,727	2,648,281
Allowance for credit losses	(37,160)	(28,511)
Net loans	$ 2,824,567	$ 2,619,770

Included in Commercial & Agriculture loans as of December 31, 2023 and 2022 is $326 and $566, respectively, of Paycheck Protection Program (“PPP”) loans.

(Amounts in thousands, except share data)

NOTE 4 – LOANS (Continued)

Included in total loans above are deferred loan fees of $ 2,743 and $ 1,652 at December 31, 2023 and 2022, respectively.

Scheduled maturities of lease financing receivables at December 31, 2023 were as follows:

2024	$ 8,834
2025	3,255
2026	5,829
2027	13,158
2028	12,468
Thereafter	11,098
Total	$ 54,642

Loans to principal officers, directors, and their affiliates at year-end 2023 and 2022 were as follows:

	2023	2022
Balance - Beginning of year	$ 21,107	$ 17,447
New loans and advances	1,477	15,408
Repayments	(2,205)	(9,255)
Effect of changes to related parties	(9,829)	(2,493)
Balance - End of year	$ 10,550	$ 21,107

The Company had credit lines to principal officers, directors, and their affiliates with an availability of $ 7,231 and $

8,017
as of December 31, 2023 and 2022, respectively.

Paycheck Protection Program

In response to the novel COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act of 2020, as amended (the "CARES Act"), was signed into law on March 27, 2020, to provide national emergency economic relief measures. The CARES Act amended the loan program of the Small Business Administration (the "SBA"), in which Civista participates, to create a guaranteed, unsecured loan program, the Paycheck Protection Program (the "PPP"), to fund operational costs of eligible businesses, organizations and self-employed persons during the COVID-19 pandemic. During 2020, Civista processed over

2,300
PPP loans totaling $

268.3
million.

The Consolidated Appropriations Act 2021, was signed into law on December 27, 2020 to provide an additional funding of $

284.5
billion under the PPP and the establishment of PPP Second Draw Loans under the Economic Aid to Hard-Hit Small Businesses, Nonprofit, and Venues Act (the "Relief Act"). This additional funding was made available from original PPP lenders on January 19, 2021, and the deadline (as extended) for submitting applications for PPP Second Draw Loans was May 31, 2021.

Funds provided under the Relief Act were earmarked both for first time PPP borrowers (subject to original PPP eligibility and limits) as well as 'Second Draw' Loans for borrowers that already received an original PPP loan.

During 2021, Civista received SBA approval on, and funded,

1,340
PPP loans totaling $

131,109
under the Relief Act.

At December 31, 2023 Civista had PPP loans outstanding of $

326
.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES

The following tables present, by portfolio segment, the changes in the allowance for credit losses, the ending allocation of the allowance for losses and the loan balances outstanding for the years ended December 31, 2023, 2022 and 2021.

Allowance for credit losses:

December 31, 2023	Beginning balance	CECL Adoption Day 1 Impact	Impact of Adopting ASC 326 - PCD Loans [1]	Charge-offs	Recoveries	Provision (Credit)	Ending Balance
Commercial & Agriculture	$ 3,011	$ 429	$ —	$ (1,300)	$ 177	$ 5,270	$ 7,587
Commercial Real Estate:							
Owner Occupied	4,565	1,075	19	—	15	(951)	4,723
Non-Owner Occupied	14,138	(2,847)	—	—	46	719	12,056
Residential Real Estate	3,145	2,762	166	(17)	134	2,299	8,489
Real Estate Construction	2,293	1,502	—	—	37	(444)	3,388
Farm Real Estate	291	(28)	—	—	—	(3)	260
Lease Financing Receivable	429	1,743	635	—	—	(2,510)	297
Consumer and Other	98	201	77	(114)	43	36	341
Unallocated	541	(541)	—	—	—	19	19
Total	$ 28,511	$ 4,296	$ 897	$ (1,431)	$ 452	$ 4,435	$ 37,160

[1] Day 1 impact of $ 1,668 of adopting ASC 326-PCD loans was netted by changes in estimates of $ 771

For the year ended December 31, 2023, the Company provided $ 4,435 to the allowance for credit losses, as compared to a provision of $

1,752
for the year ended December 31, 2022. The increase in the provision was to support strong organic loan growth in the portfolio. A one-time CECL adoption adjustment of $

4,296
along with a $

897
adjustment related to ASC 326 adoption was incurred in the first quarter of 2023.

For the year ended December 31, 2023, the allowance for Commercial & Agriculture loans increased due to an increase in general reserves required for this type as a result of an increase in loan balances, accompanied by an increase in classified loan balances. The result was represented as an increase in the provision. The allowance for Commercial Real Estate – Owner Occupied loans increased due to an increase in general reserves required for this type as a result of increased loan balances, partially offset by a decrease in classified loan balances. The result was represented as an increase in the provision. The allowance for Commercial Real Estate – Non-Owner Occupied loans decreased due to a decrease in general reserves required as a result of an increase in loan balances, offset by a decrease in loss rates and classified loan balances. This was represented as a decrease in the provision. The allowance for Residential Real Estate loans increased due to an increase in general reserves required for this type as a result of increased loan balances. The result was represented by an increase in the provision. The allowance for Consumer and Other loans decreased due to a decrease in loan balances. This was represented as a decrease in the provision. Management feels that the unallocated amount is appropriate and within the relevant range for the allowance that is reflective of the risk in the portfolio at December 31, 2022.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for loan losses:

December 31, 2022	Beginning Balance	Charge-offs	Recoveries	Provision (Credit)	Ending Balance
Commercial & Agriculture	$ 2,600	$ (22)	$ 24	$ 409	$ 3,011
Commercial Real Estate:					
Owner Occupied	4,464	—	42	59	4,565
Non-Owner Occupied	13,860	—	74	204	14,138
Residential Real Estate	2,597	(97)	163	482	3,145
Real Estate Construction	1,810	—	4	479	2,293
Farm Real Estate	287	—	6	(2)	291
Lease Financing Receivable	0	(23)		452	429
Consumer and Other	176	(80)	27	(25)	98
Unallocated	847	—	—	(306)	541
Total	$ 26,641	$ (222)	$ 340	$ 1,752	$ 28,511

For the year ended December 31, 2022, the Company provided $ 1,752 to the allowance for loan losses, as compared to a provision of $ 830 for the year ended December 31, 2021. The increase in the provision was to support strong organic loan growth in the portfolio. Of this increase, $ 452,000 was provided to cover lease production from our CLF subsidiary since acquisition. Civista strengthened the reserve in 2020 due to the 2020 economic shutdown and restrictions in response to the ongoing COVID-19 pandemic. While conditions improved in 2021 due to vaccinations and booster shots, ongoing challenges due to supply chain and workforce shortages slowed the process improvement. Our risk profile has steadily improved since peak levels, but we remain cautious given the impact of higher inflationary costs, rising interest rates and other pre-recessionary conditions that impact loan customers. Our Commercial and Commercial Real Estate portfolios have been, and are expected to continue to be, impacted the most.

For the year ended December 31, 2022, the allowance for Commercial & Agriculture loans increased due to an increase in general reserves required for this type as a result of an increase in loan balances, accompanied by an increase in classified loan balances. The result was represented as an increase in the provision. The allowance for Commercial Real Estate – Owner Occupied loans increased due to an increase in general reserves required for this type as a result of increased loan balances, partially offset by a decrease in classified loan balances. The result was represented as an increase in the provision. The allowance for Commercial Real Estate – Non-Owner Occupied loans increased due to an increase in general reserves required as a result of an increase in loan balances, partially offset by a decrease in loss rates and classified loan balances. This was represented as an increase in the provision. The allowance for Residential Real Estate loans increased due to an increase in general reserves required for this type as a result of increased loan balances. The result was represented by an increase in the provision. The allowance for Real Estate Construction loans increased due to an increase in loan balances. This was represented as an increase in the provision. The allowance for Consumer and Other loans decreased due to a decrease in loan balances. This was represented as a decrease in the provision. Management feels that the unallocated amount is appropriate and within the relevant range for the allowance that is reflective of the risk in the portfolio at December 31, 2022.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for loan losses:

December 31, 2021	Beginning Balance	Charge-offs	Recoveries	Provision (Credit)	Ending Balance
Commercial & Agriculture	$ 2,810	$ (15)	$ 165	$ (360)	$ 2,600
Commercial Real Estate:					
Owner Occupied	4,057	—	7	400	4,464
Non-Owner Occupied	12,451	—	395	1,014	13,860
Residential Real Estate	2,484	(120)	302	(69)	2,597
Real Estate Construction	2,439	—	1	(630)	1,810
Farm Real Estate	338	—	12	(63)	287
Consumer and Other	209	(24)	60	(69)	176
Unallocated	240	—	—	607	847
Total	$ 25,028	$ (159)	$ 942	$ 830	$ 26,641

For the year ended December 31, 2021, the Company provided $ 830 to the allowance for loan losses, as compared to a provision of $ 10,112 for the year ended December 31, 2020. The decrease in the provision was due to the stability of our credit quality metrics coupled with the stabilization and, in some cases, improvement of international, national, regional and local economic conditions that were adversely impacted by the 2020 economic shutdown and restrictions in response to the ongoing COVID-19 pandemic. While vaccinations and booster shots in 2021 created some level of optimism in the business community, there remained uncertainty due to the continued concern over increased infections from the Delta and Omicron variants of COVID, and we remained cautious given the level of classified loans in the portfolio, particularly loans to borrowers in the hotel industry. The lingering economic impacts related to the COVID-19 pandemic included the loss of revenue experienced by our business clients, disruption of supply chains, higher employee wages coupled with workforce shortages and increased costs of materials and services. While some of the pressures eased in 2021, ongoing supply chain and staffing challenges, as well as inflationary pressures remained. Our Commercial and Commercial Real Estate portfolios have been, and are expected to continue to be, impacted the most.

For the year ended December 31, 2021, the allowance for Commercial & Agriculture loans decreased due to a decrease in general reserves required for this type as a result of a decrease in loss rates. Commercial & Agriculture loan balances decreased during the year mainly from Civista's participation in the PPP loan program. The result was represented as a decrease in the provision. The allowance for Commercial Real Estate – Owner Occupied loans increased due to an increase in general reserves required for this type as a result of increased loan balances, offset by a decrease in classified loans balances. The result was represented as an increase in the provision. The allowance for Commercial Real Estate – Non-Owner Occupied loans increased due to an increase in general reserves required as a result of an increase in loan balances, offset by decreases in classified loan balances and loss rates. This was represented as an increase in the provision. The allowance for Residential Real Estate loans increased due to an increase in loss rates for this type of loan. The result was represented by an increase in the provision. The allowance for Real Estate Construction loans decreased due to a decrease in loan balances. This was represented as a decrease in the provision.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table present, by portfolio segment, the allocation of the allowance for loan losses and related loan balances as of December 31, 2022.

December 31, 2022	**Loans acquired with credit deterioration**	**Loans individually evaluated for impairment**	**Loans collectively evaluated for impairment**	**Total**
Allowance for loan losses:				
Commercial & Agriculture	$ 6	$ —	$ 3,005	$ 3,011
Commercial Real Estate:				
Owner Occupied	3	6	4,556	4,565
Non-Owner Occupied	—	—	14,138	14,138
Residential Real Estate	—	1	3,144	3,145
Real Estate Construction	—	—	2,293	2,293
Farm Real Estate	—	—	291	291
Lease Financing Receivables	—	—	429	429
Consumer and Other	—	—	98	98
Unallocated	—	—	541	541
Total	$ 9	$ 7	$ 28,495	$ 28,511
Outstanding loan balances:				
Commercial & Agriculture	$ 863	$ —	$ 277,732	$ 278,595
Commercial Real Estate:				
Owner Occupied	1,988	232	368,927	371,147
Non-Owner Occupied	119	—	1,018,617	1,018,736

Residential Real Estate	1,414	392	550,975	552,781
Real Estate Construction	—	—	243,127	243,127
Farm Real Estate	—	—	24,708	24,708
Lease Financing Receivables	—	—	36,797	36,797
Consumer and Other	1	—	20,774	20,775
Total	$ 4,385	$ 624	$ 2,541,657	$ 2,546,666

The following tables represent credit exposures by internally assigned risk ratings for the periods ended December 31, 2023 and 2022. The risk rating analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

The Company’s internally assigned grades are as follows:

- Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.
- Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.
- Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that Civista will sustain some loss if the deficiencies are not corrected.
- Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

- Loss – loans classified as a loss are considered uncollectible, or of such value that continuance as an asset is not warranted.
- Unrated – Generally, Residential Real Estate, Real Estate Construction and Consumer and Other loans are not risk-graded, except when collateral is used for a business purpose.

	Term Loans Amortized Cost Basis by Origination Year								
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial & Agriculture									
Pass	$ 56,359	$ 64,250	$ 52,258	$ 17,622	$ 9,516	$ 14,088	$ 82,982	$ —	$ 297,075
Special Mention	774	—	287	1,690	—	106	169	—	3,026
Substandard	396	86	67	131	271	73	3,668	—	4,692
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial & Agriculture	$ 57,529	$ 64,336	$ 52,612	$ 19,443	$ 9,787	$ 14,267	$ 86,819	$ —	$ 304,793
Commercial & Agriculture:									
Current-period gross charge-offs	$ —	$ 673	$ 532	$ —	$ —	$ 95	$ —	$ —	$ 1,300
Commercial Real Estate - Owner Occupied									
Pass	$ 36,030	$ 82,502	$ 67,904	$ 56,069	$ 29,784	$ 92,750	$ 5,844	$ —	$ 370,883
Special Mention	526	217	739	517	-	188	—	—	2,187
Substandard	—	231	—	—	3,098	922	—	—	4,251
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate - Owner Occupied	$ 36,556	$ 82,950	$ 68,643	$ 56,586	$ 32,882	$ 93,860	$ 5,844	$ —	$ 377,321
Commercial Real Estate - Owner Occupied:									
Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Commercial Real Estate - Non-Owner Occupied									
Pass	$ 183,439	$ 269,334	$ 198,832	$ 136,031	$ 120,659	$ 206,267	$ 23,016	$ —	$ 1,137,578
Special Mention	—	5,774	6,171	—	-	8,688	277	—	20,910
Substandard	—	—	—	—	122	3,284	—	—	3,406
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Real Estate - Non-Owner Occupied	$ 183,439	$ 275,108	$ 205,003	$ 136,031	$ 120,781	$ 218,239	$ 23,293	$ —	$ 1,161,894
Commercial Real Estate - Non-Owner Occupied:									
Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential Real Estate									
Pass	$ 90,770	$ 124,695	$ 97,661	$ 71,379	$ 33,534	$ 78,894	$ 157,083	$ —	$ 654,016
Special Mention	—	—	221	97	—	245	—	—	563
Substandard	186	342	684	82	582	2,063	1,323	—	5,262
Doubtful	—	—	—	—	—	—	—	—	—
Total Residential Real Estate	$ 90,956	$ 125,037	$ 98,566	$ 71,558	$ 34,116	$ 81,202	$ 158,406	$ —	$ 659,841
Residential Real Estate:									
Current-period gross charge-offs	$ —	$ 6	$ —	$ —	$ —	$ 11	$ —	$ —	$ 17

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Real Estate Construction									
Pass	$ 108,606	$ 105,222	$ 20,960	$ 6,739	$ 2,699	$ 2,635	$ 9,335	$ —	$ 256,196
Special Mention	—	1,226	926	2,019	—	—	—	—	4,171
Substandard	—	—	42	—	—	—	—	—	42
Doubtful	—	—	—	—	—	—	—	—	—
Total Real Estate Construction	$ 108,606	$ 106,448	$ 21,928	$ 8,758	$ 2,699	$ 2,635	$ 9,335	$ —	$ 260,409
Real Estate Construction:									
Current-period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farm Real Estate									
Pass	$ 2,207	$ 967	$ 2,256	$ 4,462	$ 789	$ 12,528	$ 1,292	$ —	$ 24,501
Special Mention	—	—	—	—	—	20	—	—	20
Substandard	—	—	—	—	—	250	—	—	250
Doubtful	—	—	—	—	—	—	—	—	—
Total Farm Real Estate	$ 2,207	$ 967	$ 2,256	$ 4,462	$ 789	$ 12,798	$ 1,292	$ —	$ 24,771
Farm Real Estate:									
Current-period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Lease Financing Receivables									
Pass	$ 28,177	$ 13,924	$ 6,620	$ 3,678	$ 1,725	$ 1	$ —	$ —	$ 54,125
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	8	38	61	231	17	—	—	355

Doubtful	—	139	—	15	8	—	—	—	162
Total Lease Financing Receivables	$ 28,177	$ 14,071	$ 6,658	$ 3,754	$ 1,964	$ 18	$ —	$ —	$ 54,642
Lease Financing Receivables:									
Current-period charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer and Other									
Pass	$ 6,510	$ 4,135	$ 3,615	$ 1,578	$ 509	$ 248	$ 1,424	$ —	$ 18,019
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	2	14	15	—	6	—	—	37
Doubtful	—	—	—	—	—	—	—	—	—
Total Consumer and Other	$ 6,510	$ 4,137	$ 3,629	$ 1,593	$ 509	$ 254	$ 1,424	$ —	$ 18,056
Consumer and Other:									
Current-period charge-offs	$ 6	$ 40	$ 40	$ 7	$ 13	$ 3	$ 5	$ —	$ 114
Total Loans	$ 513,980	$ 673,054	$ 459,295	$ 302,185	$ 203,527	$ 423,273	$ 286,413	$ —	$ 2,861,727
Total Loans:									
Current-period charge-offs	$ 7	$ 719	$ 572	$ 7	$ 13	$ 109	$ 5	$ —	$ 1,431

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

December 31, 2022	Pass	Special Mention	Substandard	Doubtful	Ending Balance
Commercial & Agriculture	$ 273,291	$ 2,558	$ 2,746	$ —	$ 278,595
Commercial Real Estate:					
Owner Occupied	367,652	734	2,761	—	371,147
Non-Owner Occupied	1,003,942	10,947	3,847	—	1,018,736
Residential Real Estate	114,021	183	5,787	—	119,991
Real Estate Construction	198,734	—	221	—	198,955
Farm Real Estate	24,283	379	46	—	24,708
Lease Financing Receivables	36,223	—	401	173	36,797
Consumer and Other	839	—	163	—	1,002
Total	$ 2,018,985	$ 14,801	$ 15,972	$ 173	$ 2,049,931

Due to the business disruptions and shut-downs due to the Covid-19 pandemic, in 2020, management offered payment deferments to a number of customers that had previously been current in all respects. Civista instituted an enhanced portfolio management process which included meeting with customers, requesting additional financial information and evaluating cashflow and adjusting risk ratings as conditions warrant. During this process we systematically downgraded a significant number of loans to recognize the increased risk attributed to the pandemic. Additionally, Civista offered longer term deferrals under Section 4013 of the Cares Act, that were also downgraded as appropriate. Based on improved financial performance, Civista upgraded 48% of criticized loans during 2022. The lodging industry was hit the hardest and recovery is taking longer for that segment. Civista believes it has prudently identified risk, assigned appropriate risk ratings, and has a comprehensive portfolio management process to identify and quantify risk.

The following table presents performing and nonperforming loans based solely on payment activity for the year ended December 31, 2022 that had not been assigned an internal risk grade.

December 31, 2022	Residential Real Estate	Real Estate Construction	Consumer and Other	Total
Performing	$ 432,790	$ 44,172	$ 19,773	$ 496,735
Nonperforming	—	—	—	—

Total	$ 432,790	$ 44,172	$ 19,773	$ 496,735

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following tables include an aging analysis of the recorded investment of past due loans outstanding as of December 31, 2023 and 2022.

December 31, 2023	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans	Past Due 90 Days and Accruing
Commercial & Agriculture	$ 1,228	$ 471	$ 1,999	$ 3,698	$ 301,095	$ 304,793	$ 73
Commercial Real Estate:							
Owner Occupied	4	—	123	127	377,194	377,321	—
Non-Owner Occupied	—	—	—	0	1,161,894	1,161,894	—
Residential Real Estate	4,581	1,180	1,642	7,403	652,438	659,841	—
Real Estate Construction	—	—	—	—	260,409	260,409	—
Farm Real Estate	—	—	—	—	24,771	24,771	—
Lease Financing Receivables	950	410	373	1,733	52,909	54,642	—
Consumer and Other	172	23	2	197	17,859	18,056	—
Total	$ 6,935	$ 2,084	$ 4,139	$ 13,158	$ 2,848,569	$ 2,861,727	$ 73

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Purchased Credit-Impaired Loans	Total Loans	Past Due 90 Days and Accruing
Commercial & Agriculture	$ 247	$ 78	$ 534	$ 859	$ 276,873	$ 863	$ 278,595	$ —
Commercial Real Estate:								
Owner Occupied	21	13	76	110	369,049	1,988	371,147	—
Non-Owner Occupied	—	—	1,164	1,164	1,017,453	119	1,018,736	—

Residential Real Estate	3,133	857	1,107	5,097	546,270	1,414	552,781	—
Real Estate Construction	—	—	219	219	242,908	—	243,127	—
Farm Real Estate	7	—	—	7	24,701	—	24,708	—
Lease Financing Receivables	1,040	—	341	1,381	35,416	—	36,797	
Consumer and Other	293	49	74	416	20,358	1	20,775	—
Total	$ 4,741	$ 997	$ 3,515	$ 9,253	$ 2,533,028	$ 4,385	$ 2,546,666	$ —

The following table presents loans on nonaccrual status as of December 31, 2023.

December 31, 2023	**Nonaccrual loans with a related ACL**	**Nonaccrual loans without a related ACL**	**Total Nonaccrual loans**	**Interest Income Recognized**
Commercial & Agriculture	$ 914	$ 4,891	$ 5,805	$ 9
Commercial Real Estate:				
Owner Occupied	269	3	272	7
Non-Owner Occupied	—	1,167	1,167	—
Residential Real Estate	—	4,633	4,633	26
Real Estate Construction	—	41	41	—
Farm Real Estate	—	—	—	—
Lease Financing Receivables	15	492	507	—
Consumer and Other	—	42	42	4
Total	$ 1,198	$ 11,269	$ 12,467	$ 46

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents loans on nonaccrual status as of December 31, 2022, excluding PCI loans.

	2022
Commercial & Agriculture	$ 774
Commercial Real Estate:	
Owner Occupied	386
Non-Owner Occupied	1,109
Residential Real Estate	3,926
Real Estate Construction	221
Farm Real Estate	—
Lease Financing Receivables	—
Consumer and Other	91
Total	$ 6,507

Nonaccrual Loans: Loans are considered for nonaccrual status upon reaching 90 days delinquency, unless the loan is well secured and in the process of collection, although Civista may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income. A loan may be returned to accruing status only if one of three conditions are met: the loan is well-secured and none of the principal and interest has been past due for a minimum of 90 days; the loan is a TDR and the borrower has made a minimum of six months payments; or the principal and interest payments are reasonably assured and a sustained period of performance has occurred, generally six months. The gross interest income that would have been recorded on nonaccrual loans in 2023, 2022 and 2021 if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the period, was $446, $384 and $307, respectively. The amount of interest income on such loans recognized on a cash basis was $343 in 2023, $451 in 2022 and $716 in 2021.

TDRs and Loan Modifications: Prior to the adoption of ASU 2022-02, a modification of a loan constitutes a TDR when Civista for economic or legal reasons related to a borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Civista offers various types of concessions when modifying a loan, however, forgiveness of principal is rarely granted. Commercial Real Estate loans modified in a TDR often involve reducing the interest rate lower than the current market rate for new debt with similar risk. Real Estate loans modified in a TDR were primarily comprised of interest rate reductions where monthly payments were lowered to accommodate the borrowers' financial needs.

Loans modified in a TDR are typically already on non-accrual status and partial charge-offs have in some cases already been taken against the outstanding loan balance. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan. An allowance for impaired loans that have been modified in a TDR are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent.

Management exercises significant judgment in developing these estimates. TDRs accounted for $ 7 of the allowance for credit losses as of December 31, 2022 and $ 18 as of December 31, 2021.

There were no loans modified in a TDR during the twelve month period ended December 31, 2022 and 2021.

Recidivism, or the borrower defaulting on its obligation pursuant to a modified loan, results in the loan once again becoming a non-accrual loan. Recidivism occurs at a notably higher rate than do defaults on new originations loans, so modified loans present a higher risk of loss than do new origination loans. During the periods ended December 31, 2022 and 2021, there were no defaults on loans that were modified and considered TDRs during the previous twelve months.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

In accordance with the adoption of ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, accounting guidance for TDRs for creditors has been eliminated. New guidance with respect to recognition, measurement, and disclosures of loans for borrowers experiencing financial difficulties supersedes guidance on TDRs. Under ASU 2022-02, the Company is required to evaluate whether a loan modification represents a new loan or a continuation of an existing loan. The amendment enhanced existing disclosure requirements and introduced new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty under criteria of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, or term extension.

There were

no
loans modified to borrowers experiencing financial difficulty during the period ended December 31, 2023.

Individually Evaluated Loans: Larger (greater than $350) Commercial & Agricultural and Commercial Real Estate loan relationships, and Residential Real Estate and Consumer loans that are part of a larger relationship are tested for impairment on a quarterly basis. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. The Company's policy for recognizing interest income on impaired loans does not differ from its overall policy for interest recognition.

The following table presents the amortized cost basis of collateral dependent loans, which are individually evaluated to determine expected credit losses, and the related allowance for credit losses allocated to these loans.

December 31, 2023	Real Estate	Other	Allowance for Credit Losses
Commercial & Agriculture	$ —	$ 4,674	$ 945
Commercial Real Estate:			
Owner Occupied	308	—	37
Non-Owner Occupied	1,167	—	268
Residential Real Estate	149	—	—
Real Estate Construction	—	—	—
Farm Real Estate	—	—	—
Lease Financing Receivables	—	61	15
Consumer and Other	—	—	—
Total	$ 1,624	$ 4,735	$ 1,265

Collateral-dependent loans consist primarily of Residential Real Estate, Commercial Real Estate and Commercial and Agricultural loans. These loans are individually evaluated when foreclosure is probable or when the repayment of the loan is expected to be provided substantially through the operation or sale of the underlying collateral. In the case of Commercial and Agricultural loans secured by equipment, the fair value of the collateral is estimated by third-party valuation experts. Loan balances are charged down to the underlying collateral value when they are deemed uncollectible. Note that the Company did not elect to use the collateral maintenance agreement practical expedient available under CECL.

(Amounts in thousands, except share data)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables, excluding PCI loans, with the associated allowance amount, if applicable, as of December 31, 2022.

	December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:			
Commercial Real Estate:			
Owner Occupied	$ 82	$ 82	
Non-Owner Occupied	—	—	
Residential Real Estate	385	410	
Farm Real Estate	—	—	
Total	467	492	
With an allowance recorded:			
Commercial Real Estate:			
Owner Occupied	150	150	$ 6
Residential Real Estate	7	11	1
Total	157	161	7
Total:			
Commercial & Agriculture	—	—	—
Commercial Real Estate:			
Owner Occupied	232	232	6
Non-Owner Occupied	—	—	—
Residential Real Estate	392	421	1
Farm Real Estate	—	—	—
Total	$ 624	$ 653	$ 7

The following tables include the average recorded investment and interest income recognized for impaired financing receivables as of, and for the years ended, December 31, 2022 and 2021.

For the year ended:	December 31, 2022		December 31, 2021	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial & Agriculture	$ 86	$ 3	$ 15	$ 0
Commercial Real Estate:				
Owner Occupied	406	22	396	18

Non-Owner Occupied	35	1	23	1
Residential Real Estate	614	33	629	31
Farm Real Estate	381	14	569	24
Total	$ 1,522	$ 73	$ 1,632	$ 74

Foreclosed assets acquired in settlement of loans are carried at fair value less estimated costs to sell and are included in Other assets on the Consolidated Balance Sheet. As of December 31, 2023 and 2022, there were no foreclosed assets included in Other assets. As of December 31, 2023 and 2022, the Company had initiated formal foreclosure procedures on $ 1,018 and $ 399, respectively, of Residential Real Estate loans.

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES (Continued)

Changes in the amortizable yield for PCI loans were as follows, since acquisition:

	At December 31, 2022 (In Thousands)	At December 31, 2021 (In Thousands)
Balance at beginning of period	$ 217	$ 225
Acquisition of PCI loans	—	—
Accretion	(36)	(77)
Transfers from non-accretable to accretable	33	69
Balance at end of period	$ 214	$ 217

The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30:

	At December 31, 2022 Acquired Loans with Specific Evidence of Deterioration of Credit Quality (ASC 310-30)	At December 31, 2021 Acquired Loans with Specific Evidence of Deterioration of Credit Quality (ASC 310-30)
	(In Thousands)	
Outstanding balance	$ 5,220	$ 512
Carrying amount	4,386	290

There was no allowance for loan losses recorded for acquired loans with or without specific evidence of deterioration in credit quality as of December 31, 2023 and 2022, respectively.

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 from a contractual obligation to extend credit. The allowance for credit losses on off-balance-sheet credit exposures is adjusted within other non-interest expense on the Consolidated Statements of Operations. The estimated credit loss 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 estimate of expected credit loss is based on the historical loss rate for the loan class in which the loan commitments would be classified as if funded.

The following table lists the allowance for credit losses on off-balance sheet credit exposures as of December 31, 2023:

	Twelve Months Ended December 31, 2023	2022
Beginning of Period	—	—
CECL adoption adjustments	3,386	—
Charge-offs	—	—
Recoveries	—	—

Provision	515	—
End of Period	$ 3,901	—

(Amounts in thousands, except share data)

NOTE 6 - OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of other comprehensive income (loss), net of tax, as of December 31, 2023, 2022 and 2021:

	Before Tax	Tax Effect	Net of Tax
Year Ended December 31, 2023			
Net unrealized losses on investment securities:			
Other comprehensive loss before reclassifications	$ 12,330	$ 2,583	$ 9,747
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Net unrealized losses on investment securities	12,330	2,583	9,747
Defined benefit plans:			
Other comprehensive income before reclassifications	972	204	768
Amounts reclassified from accumulated other comprehensive income	—	—	—
Defined benefit plans, net	972	204	768
Other comprehensive loss	$ 13,302	$ 2,787	$ 10,515
Year Ended December 31, 2022			
Net unrealized losses on investment securities:			
Other comprehensive loss before reclassifications	$ (85,517)	$ (18,079)	$ (67,438)
Amounts reclassified from accumulated other comprehensive loss	(10)	(2)	(8)
Net unrealized losses on investment securities	(85,527)	(18,081)	(67,446)
Defined benefit plans:			
Other comprehensive income before reclassifications	736	155	581
Amounts reclassified from accumulated other comprehensive income	—	—	—
Defined benefit plans, net	736	155	581
Other comprehensive loss	$ (84,791)	$ (17,926)	$ (66,865)
Year Ended December 31, 2021			
Net unrealized losses on investment securities:			

Other comprehensive loss before reclassifications	$ (8,570)	$ (1,799)	$ (6,771)
Amounts reclassified from accumulated other comprehensive loss	(1)	—	(1)
Net unrealized losses on investment securities	(8,571)	(1,799)	(6,772)
Defined benefit plans:			
Other comprehensive income before reclassifications	992	209	783
Amounts reclassified from accumulated other comprehensive income	240	50	190
Defined benefit plans, net	1,232	259	973
Other comprehensive loss	$ (7,339)	$ (1,540)	$ (5,799)

(Amounts in thousands, except share data)

NOTE 6 - OTHER COMPREHENSIVE INCOME (LOSS) (Continued)

The following table presents the changes in each component of accumulated other comprehensive income (loss), net of tax, as of December 31, 2023, 2022 and 2021.

	For the Year Ended December 31, 2023			For the Year Ended December 31, 2022			For the Year Ended December 31, 2021		
	Unrealized Gains and Losses on Available for Sale Securities	**Defined Benefit Pension Items**	**Total**	**Unrealized Gains and Losses on Available for Sale Securities**	**Defined Benefit Pension Items**	**Total**	**Unrealized Gains and Losses on Available for Sale Securities**	**Defined Benefit Pension Items**	**Total**
Beginning balance	$ (52,771)	$ (5,274)	$ (58,045)	$ 14,675	$ (5,855)	$ 8,820	$ 21,447	$ (6,828)	$ 14,619
Other comprehensive income (loss) before classifications	9,747	768	10,515	(67,438)	581	(66,857)	(6,771)	783	(5,988)
Amounts reclassified from accumulated other comprehensive income (loss)	0	—	0	(8)	—	(8)	(1)	190	189
Net current-period other comprehensive income(loss)	9,747	768	10,515	(67,446)	581	(66,865)	(6,772)	973	(5,799)
Ending balance	$ (43,024)	$ (4,506)	$ (47,530)	$ (52,771)	$ (5,274)	$ (58,045)	$ 14,675	$ (5,855)	$ 8,820

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss as of December 31, 2023, 2022 and 2021.

Details about Accumulated Other Comprehensive Income (Loss) Components	**Amount Reclassified from Accumulated Other Comprehensive Loss (a) For the year ended December 31, 2023**	**2022**	**2021**	**Affected Line Item in the Statement Where Net Income is Presented**
Unrealized gains (losses) on available for sale securities	$ 0	$ 10	$ 1	Net gain on sale of securities
Tax effect	—	(2)	—	Income taxes
	0	8	1	
Amortization of defined benefit pension items				
Actuarial losses	— (b)	— (b)	(240) (b)	Other operating expenses
Tax effect	—	—	50	Income taxes

	—	—	(190)
Total reclassifications for the period	$ —	$ 8	$ (189)

(a) Amounts in parentheses indicate expenses and other amounts indicate income.

(b) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost.

(Amounts in thousands, except share data)

NOTE 7 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	At December 31, 2023	At December 31, 2022
Land and improvements	$ 8,392	$ 7,919
Buildings and improvements	39,874	35,138
Furniture and equipment	61,335	63,033
Total	109,601	106,090
Accumulated depreciation	(52,832)	(42,072)
Premises and equipment, net	$ 56,769	$ 64,018

Depreciation expense was $10,760 in 2023, $4,456 in 2022 and $1,976 in 2021. The increase in depreciation expense in 2023 was in large part due to operating leases at the CLF division which are treated as fixed assets.

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS

The carrying amount of goodwill has decreased $175 since December 31, 2022 as a result of a deferred tax correction related to the CLF acquisition, as discussed in Note 2. The balance of goodwill was $125,520 at December 31, 2023 and $125,695 at December 31, 2022.

Management performs an evaluation of goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Management performed an evaluation of the Company’s goodwill during the fourth quarter of 2023. Based on this test, management concluded that the Company’s goodwill was not impaired at December 31, 2023.

Acquired intangible assets were as follows as of year-end.

	2023			2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangible assets(1):						

Core deposit intangibles	12,668	6,178	6,490	12,953	4,883	8,070
Total core deposit intangible assets	$ 12,668	$ 6,178	$ 6,490	$ 12,953	$ 4,883	$ 8,070

(1) Excludes fully amortized core deposit intangible assets

Aggregate core deposit intangible amortization expense was $ 1,579 , $ 1,296 and $ 890 for 2023, 2022 and 2021, respectively.

(Amounts in thousands, except share data)

NOTE 8 - GOODWILL AND INTANGIBLE ASSETS (Continued)

Activity for mortgage servicing rights (MSRs) and the related valuation allowance follows:

	2023		2022	
Mortgage Servicing Rights:				
Beginning of year	$	2,689	$	2,642
Additions		659		397
Disposals		—		—
Amortized to expense		330		350
Other Charges		—		—
Change in valuation allowance		—		—
End of year	$	3,018	$	2,689
Valuation allowance:				
Beginning of year	$	—	$	—
Additions expensed		—		—
Reductions credited to operations		—		—
Direct write-offs		—		—
End of year	$	—	$	—

The unpaid principal balance of mortgage loans serviced for third parties was $ 442,635 at December 31, 2023, compared to $ 456,149 at December 31, 2022 and $ 405,786 at December 31, 2021.

Aggregate mortgage servicing rights (MSRs) amortization was $ 330 , $ 350 and $ 572 for 2023, 2022 and 2021, respectively.

Mortgage loan contractual servicing fees were $ 1,137 , $ 1,063 and $ 947 for 2023, 2022 and 2021, respectively. Mortgage loan contractual servicing fees are included in Other income on the Consolidated Statements of Operations.

The fair value of servicing rights was $ 3,018 and $ 2,689 at year-end 2023 and 2022, respectively. Fair value at year-end 2023 was determined using a discount rate of 12.0%, prepayment speeds ranging from 4.6% to 11.0%, depending on the stratification of the specific right, and a weighted average default rate of 0.0%. Fair value at year-end 2022 was determined using a discount rate of 12.0%, prepayment speeds ranging from 5.0% to 20.0%, depending on the stratification of the specific right, and a default rate of 0.14%.

Estimated amortization expense for each of the next five years and thereafter is as follows:

	MSRs	Core deposit intangibles	Total
2024	$ 170	$ 1,489	$ 1,659
2025	169	1,311	1,480
2026	167	1,193	1,360
2027	163	1,071	1,234
2028	155	782	937
Thereafter	2,194	644	2,838
	$ 3,018	$ 6,490	$ 9,508

(Amounts in thousands, except share data)

NOTE 9 - INTEREST-BEARING DEPOSITS

Interest-bearing deposits as of December 31, 2023 and 2022 were as follows:

	2023	2022
Demand	$ 449,449	$ 527,879
Savings and Money markets	863,067	876,427
Certificates of Deposit:		
$250 and over	92,933	45,380
Other	765,734	227,886
Individual Retirement Accounts	42,146	46,079
Total	$ 2,213,329	$ 1,723,651

Scheduled maturities of certificates of deposit ("CDs"), including IRAs, at December 31, 2023 were as follows:

2024	$ 867,436
2025	16,991
2026	8,261
2027	4,822
2028	2,500
Thereafter	803
Total	$ 900,813

Deposits from the Company’s principal shareholders, officers, directors, and their affiliates at year-end 2023 and 2022 were $

11,546
and $

10,166
, respectively.

As of December 31, 2023, CDs and IRAs totaling $

98,158
met or exceeded the FDIC's insurance limit of $

250,000
.

As of December 31, 2023, brokered deposits totaled $

517,190
.

NOTE 10 - SHORT-TERM BORROWINGS

Short-term borrowings, which consist of federal funds purchased and other short-term borrowings are summarized as follows:

	At December 31, 2023		At December 31, 2022	
	Federal Funds Purchased	**Short-term Borrowings**	**Federal Funds Purchased**	**Short-term Borrowings**
Outstanding balance at year end	$ —	$ 338,000	$ —	$ 393,700
Maximum indebtedness during the year	—	521,500	50,000	435,500
Average balance during the year	—	280,887	137	66,875
Average rate paid during the year	—	5.12 %	4.38 %	3.84 %
Interest rate on year end balance	—	5.41 %	—	4.24 %

Average balances during the year represent daily averages. Average interest rates represent interest expense divided by the related average balances.

These borrowing transactions can range from overnight to six months in maturity. The average maturity was one day at December 31, 2023.

(Amounts in thousands, except share data)

NOTE 11 - FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

Long-term advances from the FHLB were $ 2,392 and $ 3,578 at December 31, 2023 and December 31, 2022, respectively. Outstanding balances have a maturity dates between July 2024 and June 2028 with fixed rates ranging from 1.18 % to 2.97 %. The average rate on outstanding advances was 2.31 % at December 31, 2023. Outstanding advances are prepayable in whole or in part and could be subject to a termination fee.

Other borrowings totaled $ 9,860 at December 31, 2023, and included borrowings from the CLF division of Civista. The weighted average rate on these borrowings was 5.74 % and the weighted average life was 39 months .

Scheduled principal reductions of FHLB advances outstanding at December 31, 2023 were as follows:

2024	$	940
2025		636
2026		469
2027		273
2028		74
Thereafter		—
Total	$	2,392

In addition to FHLB borrowings, the Company had outstanding letters of credit with the FHLB totaling $ 24,400 and $ 57,510 at year-end 2023 and 2022, respectively, used for pledging to secure public funds. FHLB borrowings and the letters of credit were collateralized by FHLB stock and by $ 1,044,027 and $ 932,373 of residential mortgage loans under a blanket lien arrangement at year-end 2023 and 2022, respectively.

The Company had a FHLB maximum borrowing capacity of $

791,637
as of December 31, 2023, with remaining borrowing capacity of approximately $

426,845
. The borrowing arrangement with the FHLB is subject to annual renewal. The maximum borrowing capacity is recalculated at least quarterly.

NOTE 12 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Effective in July 2023, the company no longer sells securities under agreement to repurchase. Prior to that time, securities sold under agreements to repurchase were used to facilitate the needs of our customers as well as to facilitate our short-term funding needs. Securities sold under repurchase agreements were carried at the amount of cash received in association with the agreement. We continuously monitor the collateral levels and may be required, from time to time, to provide additional collateral based on the fair value of the underlying securities. Securities pledged as collateral under repurchase agreements were maintained with our safekeeping agents.

(Amounts in thousands, except share data)

NOTE 12 - SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Continued)

The following table presents detail regarding the securities pledged as collateral under repurchase agreements as of December 31, 2023 and 2022. All of the repurchase agreements are overnight agreements.

	December 31, 2023	December 31, 2022
Securities pledged for repurchase agreements:		
U.S. Treasury securities	$ —	$ 25,143
Obligations of U.S. government agencies	—	—
Total securities pledged	$ —	$ 25,143
Gross amount of recognized liabilities for repurchase agreements	$ —	$ 25,143
Amounts related to agreements not included in offsetting disclosures above	$ —	$ —

Information concerning securities sold under agreements to repurchase was as follows:

	2023	2022	2021
Outstanding balance at year end	$ —	$ 25,143	$ 25,495
Average balance during the year	8,685	24,390	24,390
Average interest rate during the year	0.05 %	0.05 %	0.09 %
Maximum month-end balance during the year	$ 21,658	$ 26,044	$ 34,200
Weighted average interest rate at year end	—	0.05 %	0.05 %

NOTE 13 - SUBORDINATED DEBENTURES

The following table summarizes the Company's subordinated debentures at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022

Subordinated Note - fixed interest rate until November 30, 2026 then variable interest rate equal to SOFR plus 2.19 %, the rate was 3.25 % at December 31, 2023 and 2022, respectively - $ 75,000 maturing December 31, 2031	$ 73,594	$ 73,450
First Citizens Statutory Trust II - variable interest equal to 3-month CME Term SOFR plus 3.15 %, which was 8.81 % and 6.79 % at December 31, 2023 2022, respectively - $ 7,732 maturing March 26, 2033	7,732	7,732
First Citizens Statutory Trust III - variable interest equal to 3-month LIBOR Term SOFR plus 2.25 %, which was 7.91 % and 5.78 % at December 31, 2023 and 2022, respectively - $ 12,887 maturing September 20, 2034	12,887	12,887
First Citizens Statutory Trust IV - variable interest equal to 3-month CME Term SOFR plus 1.60 %, which was 7.27 % and 4.89 % at December 31, 2023 and 2022, respectively - $ 5,155 maturing March 23, 2037	5,155	5,155
Futura TPF Trust I - variable interest rate equal to 3-month CME Term SOFR plus 1.66 %, which was 7.33 % and 4.95 % at December 31, 2023 and 2022, and respectively - $ 2,578 maturing June 15, 2035	2,578	2,578

Futura TPF Trust II - variable interest rate equal to 3-month CME Term SOFR plus 1.66 %, which was 7.33 % and 4.95 % at December 31, 2023 and 2022, respectively - $ 2,070 maturing June 15, 2035	1,997	1,997
Total subordinated debentures	$ 103,943	$ 103,799

NOTE 13 - SUBORDINATED DEBENTURES (Continued)

On November 30, 2021, the Company entered into a Subordinated Note Purchase Agreement pursuant to which the Company sold and issued $

75,000
aggregate principal amount of its

3.25
% Fixed-to-Floating Rate Subordinated Notes due 2031 (the "Notes"). The Notes have a stated maturity of December 31, 2031 .

The Notes initially bear interest at a fixed rate of

3.25
% per annum, from and including November 30, 2021, to but excluding December 1, 2026, with interest payable semi-annually in arrears. From and including December 1, 2026, to but excluding the stated maturity date or early redemption date, the interest rate will reset quarterly to an annual floating rate equal the then-current benchmark rate, which will initially be the three-month Secured Overnight Financing Rate (SOFR) plus

219
basis points, with interest during such period payable quarterly in arrears. If three-month SOFR cannot be determined during the applicable floating rate period, a different index will be determined and used in accordance with the terms of the Notes and underlying Indenture.

Prior to December 1, 2026, the Company may redeem the Notes, in whole but not in part, only under certain limited circumstances as set forth in the Indenture. On or after December 1, 2026, the Company may, at its option, redeem the Notes, in whole or in part, on any interest payment date, subject to the receipt of any required regulatory approvals. Any redemption by the Company would be at a redemption price equal to

100
% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to but excluding the date of redemption.

On March 26, 2003, the Company formed First Citizens Statutory Trust II. The Company issued $

7,700
of subordinated debentures to First Citizens Statutory Trust II in exchange for ownership of all the common securities of the First Citizens Statutory Trust II. The Company is not considered the primary beneficiary of First Citizens Statutory Trust II; therefore, the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $

232
and is included in Other assets.

On September 20, 2004, the Company formed First Citizens Statutory Trust III. The Company issued $

12,900
of subordinated debentures to First Citizens Statutory Trust III in exchange for ownership of all the common securities of the First Citizens Statutory Trust III. The Company is not considered the primary beneficiary of First Citizens Statutory Trust III; therefore, the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $

387
and is included in Other assets.

On March 23, 2007, the Company formed First Citizens Statutory Trust IV. The Company issued $

5,200
of subordinated debentures to First Citizens Statutory Trust IV in exchange for ownership of all the common securities of the First Citizens Statutory Trust IV. The Company is not considered the primary beneficiary of First Citizens Statutory Trust IV; therefore, the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $

155
and is included in Other assets.

In conjunction with the acquisition of Futura Banc Corp. ("Futura") on December 17, 2007, the Company assumed $

4,700
of subordinated debentures that were recorded at a fair value of $

4,600
at the time of acquisition. On June 15, 2005, Futura issued $

2,600
of subordinated debentures to Futura TPF Trust I in exchange for ownership of all the common securities of the trust. On June 15, 2005, Futura issued $

2,100
of subordinated debentures to Futura TPF Trust II in exchange for ownership of all the common securities of the trust. The Company is not considered the primary beneficiary of Futura TPF Trust I or Futura TPF Trust II; therefore, the trusts are not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trusts was $

148
and is included in Other assets.

For all the debentures mentioned above, interest is payable quarterly. The debentures and the common securities issued by each of the trusts are redeemable in whole or in part on dates specified in the trust indenture document. All of the subordinated debentures mentioned above may be included in Tier 1 capital (with certain limitations applicable) under current regulatory guidelines and interpretations.

(Amounts in thousands, except share data)

NOTE 14 - INCOME TAXES

Income taxes were as follows for the years ended December 31:

	2023	2022	2021
Current	$ 8,256	$ 6,973	$ 5,111
State	68	152	587
Deferred	(675)	483	1,319
Income taxes	$ 7,649	$ 7,608	$ 7,017

Effective tax rates differed from the statutory federal income tax rate of

21

% in 2023, 2022 and 2021 due to the following:

	2023	2022	2021
Income taxes computed at the statutory federal tax rate	$ 10,629	$ 9,878	$ 9,988
Add (subtract) tax effect of:			
Nontaxable interest income, net of nondeductible interest expense	(1,938)	(1,666)	(1,315)
Low income housing tax credit	(620)	(679)	(1,402)
Cash surrender value of BOLI	(233)	(207)	(252)
Other	(189)	282	(2)
Income tax expense	$ 7,649	$ 7,608	$ 7,017

Year-end deferred tax assets and liabilities were due to the following:

	2023	2022
Deferred tax assets		

Lease liability	$ 343	—
Allowance for credit losses	7,711	6,106
Deferred compensation	1,155	1,143
Unfunded commitment liability	819	—
Pension costs	—	—
Intangible assets	103	154
Net operating loss carryforward	6	699
Deferred loan fees	576	347
Unrealized loss on securities available for sale	11,633	14,218
Unrealized loss on securities purchased	1,976	1,966
Other	923	295
Deferred tax asset	25,245	24,928
Deferred tax liabilities		
Tax depreciation in excess of book depreciation	(2,625)	(2,124)
Discount accretion on securities	(502)	(244)
FHLB stock dividends	(223)	(822)
Purchase accounting adjustments	(1,841)	(2,220)
Unrealized gain on securities available for sale	—	—
Right of use asset	(343)	—
Prepaids	(314)	(334)
Other	(1,040)	(735)

Deferred tax liability	(6,888)	(6,479)
Net deferred tax asset	$ 18,357	$ 18,449

NOTE 14 - INCOME TAXES (Continued)

At December 31, 2023, the Company had $

30

in net operating losses subject to 382 limitations.

No

valuation allowance was established at December 31, 2023 and 2022, due to the Company's ability to carryforward net operating losses to taxes paid in future years and certain tax strategies, coupled with the anticipated future income as evidenced by the Company's earning potential.

There is currently

no

liability for uncertain tax positions and

no

known unrecognized tax benefits.

The Company's federal tax returns for taxable years through 2019 have been closed for purposes of examination by the Internal Revenue Service.

NOTE 15 - RETIREMENT PLANS

The Company sponsors a savings and retirement 401(k) plan , which covers all employees who meet certain eligibility requirements and who choose to participate in the plan. The matching contribution to the 401(k) plan was $

1,608

, $

1,377

and $

1,258

in 2023, 2022 and 2021, respectively. The Company's matching contribution is 10 0% of an employee's first three percent contributed and 50% of the next two percent contributed.

The Company also sponsors a pension plan which is a noncontributory defined benefit retirement plan for all employees who have attained the age of 20 1⁄2, completed six months of service and work 1,000 or more hours per year. Annual payments, subject to the maximum amount deductible for federal income tax purposes, are made to a pension trust fund. In 2006, the Company amended the pension plan to provide that no employee could be added as a participant to the pension plan after December 31, 2006. In April 2014, the Company amended the pension plan again to provide that

no

additional benefits would accrue beyond April 30, 2014.

In October 2015, the Company, on behalf of it and its subsidiaries, entered into Pension Shortfall Agreements (the "Shortfall Agreements") with

ten

employees of Civista. When the Company ceased accruals to its defined benefit pension plan on April 30, 2014, the circumstances of some participants with limited periods until their anticipated retirement dates would not permit them to use other available alternatives to make up for the shortfall in their expected pension. The Company calculated the total amount of the shortfall for each of the referenced individuals after considering its contributions to other retirement benefits. Pension shortfall expense was $

118

in 2023, $

145

in 2022 and $

135

in 2021. Included in pension shortfall expense was interest expense, totaling $

36

, $

24

and $

15

in 2023, 2022 and 2021, respectively, which was also recorded in and credited to the accounts of the ten individuals covered by this plan.

(Amounts in thousands, except share data)

NOTE 15 - RETIREMENT PLANS (Continued)

Information about the pension plan is as follows:

	2023	2022
Change in benefit obligation:		
Beginning benefit obligation	$ 10,123	$ 15,384
Service cost	—	—
Interest cost	454	392
Curtailment gain	—	—
Settlement loss	—	—
Actuarial (gain)/loss	(637)	(3,455)
Benefits paid	(1,921)	(2,198)
Settlement payments	—	—
Ending benefit obligation	8,019	10,123
Change in plan assets, at fair value:		
Beginning plan assets	10,934	15,120
Actual return	940	(1,988)
Employer contribution	—	—
Benefits paid	(1,921)	(2,198)
Settlement payments	—	—
Administrative expenses	—	—
Ending plan assets	9,953	10,934
Funded status at end of year	$ 1,934	$ 811

Amounts recognized in accumulated other comprehensive income (loss) at December 31, consist of unrecognized actuarial loss of $ 4,506, net of $ 1,198 tax in 2023 and $

5,274
, net of $

1,402
tax in 2022.

The accumulated benefit obligation for the defined benefit pension plan was $

8,019
at December 31, 2023 and $

10,123
at December 31, 2022.

The components of net periodic pension expense were as follows:

	2023	2022	2021
Service cost	$ —	$ —	$ —
Interest cost	454	392	378
Expected return on plan assets	(605)	(732)	(574)
Net amortization and deferral	—	—	240
Net periodic pension cost (benefit)	(151)	(340)	44
Additional loss due to settlement	—	—	—
Total pension cost (benefit)	$ (151)	$ (340)	$ 44
Net loss (gain) recognized in other comprehensive income	$ (972)	$ (736)	$ (854)
Total recognized in net periodic benefit cost and other comprehensive loss (before tax)	$ (1,123)	$ (1,076)	$ (810)

The components of net periodic benefit cost other than the service cost component are included in the line item “Other operating expenses” in the Consolidated Statement of Operations.

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $

169
. The Company incurred settlement costs in 2023, 2022 and 2021 of $

0
, $

0
and $(

18
), respectively.

(Amounts in thousands, except share data)

NOTE 15 - RETIREMENT PLANS (Continued)

The weighted average assumptions used to determine benefit obligations at year-end were as follows:

	2023	2022	2021
Discount rate on benefit obligation	4.76 %	4.95 %	2.74 %
Long-term rate of return on plan assets	5.53 %	4.84 %	3.84 %
Rate of compensation increase	0.00 %	0.00 %	0.00 %

The weighted average assumptions used to determine net periodic pension cost were as follows:

	2023	2022	2021
Discount rate on benefit obligation	4.95 %	2.74 %	2.39 %
Long-term rate of return on plan assets	4.84 %	3.84 %	4.44 %
Rate of compensation increase	0.00 %	0.00 %	0.00 %

The Company uses long-term market rates to determine the discount rate on the benefit obligation. Declines in the discount rate lead to increases in the actuarial loss related to the benefit obligation.

The expectation for long-term rate of return on the pension assets and the expected rate of compensation increases are reviewed periodically by management in consultation with outside actuaries and primary investment consultants. Factors considered in setting and adjusting these rates are historic and projected rates of return on the portfolio and historic and estimated rates of increases of compensation. Since the pension plan is frozen, the rate of compensation increase used to determine the benefit obligation for 2023, 2022 and 2021 was zero.

The Company's pension plan asset allocation at year-end 2023 and 2022 and target allocation for 2024 by asset category are as follows:

	Target Allocation	Percentage of Plan Assets at Year-end	
Asset Category	**2024**	**2023**	**2022**
Equity securities	0 - 30 %	20.0 %	20.0 %
Debt securities	70 - 100	80.0	80.0
Total		100.0 %	100.0 %

The Company developed the pension plan investment policies and strategies for plan assets with its pension management firm. The assets are currently invested in seven diversified investment funds, which include four equity funds and three bond funds. The long-term guidelines from above were created to maximize the return on portfolio assets while reducing the risk of the portfolio. The management firm may allocate assets among the separate accounts within the established long-term guidelines. Transfers among these accounts will be at the management firm’s discretion based on their investment outlook and the investment strategies that are outlined at periodic meetings with the Company. The expected long-term rate of return on the plan assets was

5.53
% in 2023 and

4.84
% in 2022. This return is based on the expected return for each of the asset categories, weighted based on the target allocation for each class.

The Company does

no
t expect to make any contribution to its pension plan in 2024. Employer contributions totaled $

0

in 2023 and 2022. A decrease in the benefit obligations, offset by a decrease in the fair value of plan assets led to an increase in the funded status from $

811
at December 31, 2022 to a funded status of $

1,934
at December 31, 2023.

Common/Collective Trust Funds

Common/Collective Trust Funds are valued at the daily net asset value ("NAV") as reported by the funds. These funds are not traded in an active market or exchange, and the NAV per unit is calculated by dividing the net assets of the fund by the number of units outstanding, which includes observable inputs. The method described above may

(Amounts in thousands, except share data)

NOTE 15 - RETIREMENT PLANS (Continued)

produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the pension plan believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient are not required to be categorized in the fair value hierarchy tables.

Fair Value of Investments in Entities That Use NAV

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2023 and 2022, respectively:

December 31, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Common/collective trust funds	$ 9,953	N/A	Daily	Daily

December 31, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Common/collective trust funds	$ 10,934	N/A	Daily	Daily

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the pension plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected benefit payments, which reflect expected future service, are as follows:

2024	$ 315
2025	359
2026	398
2027	431
2028	453
2029 through 2033	3,278
Total	$ 5,234

Supplemental Executive Retirement Plan

Civista established a supplemental executive retirement plan (“SERP”) in 2011, which covers key members of management. The SERP was amended and restated effective January 1, 2024. Under the SERP, participants will receive annually, following retirement, a percentage of their base compensations at the time of their retirement for a maximum of ten years . The SERP liability recorded at December 31, 2023, was $

4,083
, compared to $

4,028
at December 31, 2022. The expense related to the SERP was $

233
, $

420
and $

404
for 2023, 2022 and 2021, respectively. Distributions to participants made in 2023, 2022 and 2021 totaled $

176
, $

173
, and $

167
, respectively.

(Amounts in thousands, except share data)

NOTE 16 - EQUITY INCENTIVE PLAN

At the Company's 2014 annual meeting, the shareholders adopted the Company's 2014 Incentive Plan ("2014 Incentive Plan"). The 2014 Incentive Plan authorizes the Company to grant options, stock awards, stock units and other awards for up to

375,000
common shares of the Company. There were

60,049
shares available for grants under this plan at December 31, 2023.

No

options had been granted under the 2014 Incentive Plan as of December 31, 2023 and 2022.

In recent years, the Board of Directors has awarded restricted common shares to senior officers of the Company. The restricted shares vest ratably over a three-year period following the grant date. The product of the number of restricted shares granted and the grant date market price of the Company's common shares determines the fair value of restricted shares under the Company's 2014 Incentive Plan. Management recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period for the entire award.

During the twelve months ended December 31, 2023, 2022 and 2021, directors of the Company's banking subsidiary, Civista, were paid a retainer in the form of non-restricted common shares of the Company. An aggregate of

11,817
,

8,098
and

8,792
common shares were issued to Civista directors in 2022, 2021 and 2021, respectively, as payment of their retainer for their service on the Civista Board of Directors. The issuances were expensed in their entirety when the shares were issued in the amounts of $

189
, $

196
and $

196
, respectively.

The Company includes share-based compensation for employees as "Compensation expense" in the Consolidated Statements of Operations.

The following is a summary of the status of the Company's restricted shares, and changes therein during the twelve months ended December 31, 2023:

	December 31, 2023	
	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	70,096	$ 21.88
Granted	47,536	21.85
Vested	(30,222)	21.62
Forfeited	(1,740)	21.74
Nonvested at end of period	85,670	21.88

The following is a summary of the status of the Company's awarded restricted shares as of December 31, 2023:

At December 31, 2023			
Date of Award	Shares	Remaining Expense	Remaining Vesting Period (Years)
March 14, 2019	1,924	$ 0	0.00
March 14, 2020	4,265	41	1.00
March 3, 2021	7,776	91	1.00
March 3, 2021	6,793	0	0.00
March 3, 2022	9,554	164	3.00
March 3, 2022	10,421	128	1.00
March 14, 2023	17,103	275	4.00
March 14, 2023	27,834	405	2.00
	85,670	$ 1,104	2.05

NOTE 16 - EQUITY INCENTIVE PLAN

During the twelve months ended December 31, 2023, 2022 and 2021, the Company recorded share-based compensation expense of $801, $630 and $506, respectively, and director retainer fees of $182, $189 and $196, respectively, for shares granted under the 2014 Incentive Plan. At December 31, 2023, the total compensation cost related to unvested awards not yet recognized was $1,104, which is expected to be recognized over the weighted average remaining life of the grants of 2.05 years.

NOTE 17 - FAIR VALUE MEASUREMENT

GAAP establishes a hierarchal disclosure framework associated with the level of observable pricing utilized in measuring assets and liabilities at fair value. The three broad levels defined by the hierarchy are as follows: Level 1: Quoted prices for identical assets in active markets that are identifiable on the measurement date; Level 2: Significant other observable inputs, such as quoted prices for similar assets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data; Level 3: Significant unobservable inputs that reflect the Company's own view about the assumptions that market participants would use in pricing an asset.

Securities: The fair values of securities available for sale are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Equity securities: The Company has two types of equity securities, one is not actively traded in an open market, while the other is listed on an exchange and is less frequently traded. The fair value of equity securities available for sale not actively traded in an open market is determined by using market data inputs for similar securities that are observable. (Level 2 inputs).

Fair value swap asset/liability: The fair value of swap assets and liabilities is based on an external derivative model using data inputs as of the valuation date and classified Level 2.

Collateral Dependent Loans: The Company generally measures impairment on impaired loans based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. Additionally, management makes estimates about expected costs to sell the property which are also included in the net realizable value. If the fair value of the collateral dependent loan is less than the carrying amount of the loan, a specific reserve for the loan is made in the allowance for loan losses or a charge-off is taken to reduce the loan to the fair value of the collateral (less estimated selling costs) and the loan is included in the table below as a Level 3 measurement.

Mortgage servicing rights: Mortgage servicing rights do not trade in an active market with readily observable market data. As a result, the Company estimates the fair value of mortgage servicing rights by using a discounted cash flow model to calculate the present value of estimated future net servicing income. The Company stratifies its mortgage servicing portfolio on the basis of loan type. The assumptions used in the discounted cash flow model are those that the Company believes market participants would use in estimating future net servicing income. Significant assumptions in the valuation of mortgage servicing rights include estimated loan repayment rates, the discount rate, servicing costs, and the timing of cash flows, among other factors. Mortgage servicing rights are classified as Level 3 measurements due to the use of significant unobservable inputs, as well as significant management judgment and estimation.

(Amounts in thousands, except share data)

NOTE 17 - FAIR VALUE MEASUREMENT (Continued)

Assets and liabilities measured at fair value are summarized below.

Fair Value Measurements at December 31, 2023 using:

	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:			
Securities available for sale			
U.S. Treasury securities and obligations of U.S. Government agencies	$ —	$ 67,658	$ —
Obligations of states and political subdivisions	—	338,599	—
Mortgage-backed securities in government sponsored entities	—	212,015	—
Total securities available for sale	—	618,272	—
Equity securities	—	2,169	—
Swap asset	—	12,481	—
Liabilities measured at fair value on a recurring basis:			
Swap liability	—	12,481	—
Assets measured at fair value on a nonrecurring basis:			
Mortgage servicing rights	$ —	$ —	$ 3,018

Fair Value Measurements at December 31, 2022 using:

	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:			
Securities available for sale			
U.S. Treasury securities and obligations of U.S. Government agencies	$ —	$ 61,029	$ —
Obligations of states and political subdivisions	—	317,248	—
Mortgage-backed securities in government sponsored entities	—	237,125	—

Total securities available for sale	—	615,402	—
Equity securities	—	2,190	—
Swap asset	—	16,579	—
Liabilities measured at fair value on a recurring basis:			
Swap liability	—	16,579	—
Assets measured at fair value on a nonrecurring basis:			
Mortgage servicing rights	$ —	$ —	$ 2,689

(Amounts in thousands, except share data)

NOTE 17 - FAIR VALUE MEASUREMENT (Continued)

The following tables presents quantitative information about the Level 3 significant unobservable inputs for assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2023 and 2022.

		Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2023	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
Mortgage Servicing Rights	$ 3,018	Discounted Cash Flows	Constant Prepayment Rate	4.6 % - 11 %	6 %
			Discount Rate	12 %	12 %

		Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2022	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range**	**Weighted Average**
Mortgage Servicing Rights	$ 2,689	Discounted Cash Flows	Constant Prepayment Rate	5 % - 20 %	7 %
			Discount Rate	12 %	12 %

The carrying amount and fair value of financial instruments carried at amortized cost were as follows:

December 31, 2023	**Carrying Amount**	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:					
Cash and due from financial institutions	$ 60,406	$ 60,406	$ 60,406	$ —	$ —
Other securities	29,998	29,998	29,998	—	—
Loans, held for sale	1,725	1,725	1,725	—	—
Loans, net of allowance for loan losses	2,824,568	2,679,988	—	—	2,679,988
Bank owned life insurance	61,335	61,335	61,335	—	—
Accrued interest receivable	12,819	12,819	12,819	—	—
Financial Liabilities:					

Nonmaturing deposits	2,084,216	2,084,216	2,084,216	—	—
Time deposits	900,812	899,443	—	—	899,443
Short-term FHLB advances	338,000	337,267	337,267	—	—
Long-term FHLB advances	2,392	2,419	—	—	2,419
Securities sold under agreement to repurchase	—	—	—	—	—
Subordinated debentures	103,943	101,563	—	—	101,563
Other borrowings	9,859	9,859	—	—	9,859
Accrued interest payable	9,525	9,525	9,525	—	—

(Amounts in thousands, except share data)

NOTE 17 - FAIR VALUE MEASUREMENT (Continued)

December 31, 2022	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from financial institutions	$ 43,361	$ 43,361	$ 43,361	$ —	$ —
Other securities	33,585	33,585	33,585	—	—
Loans, held for sale	683	698	698	—	—
Loans, net of allowance for loan losses	2,619,770	2,528,906	—	—	2,528,906
Bank owned life insurance	53,543	53,543	53,543	—	—
Accrued interest receivable	11,178	11,178	11,178	—	—
Financial Liabilities:					
Nonmaturing deposits	2,300,215	2,300,215	2,300,215	—	—
Time deposits	319,769	318,886	—	—	318,886
Short-term FHLB advances	393,700	393,247	393,247	—	—
Long-term FHLB advances	3,578	3,534	—	—	3,534
Securities sold under agreement to repurchase	25,143	25,143	25,143	—	—
Subordinated debentures	103,799	98,513	—	—	98,513
Other borrowings	15,516	15,806	—	—	15,806

Accrued interest payable	668	668	668	—	—

NOTE 18 - COMMITMENTS, CONTINGENCIES AND OFF-BALANCE-SHEET RISK

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end.

	2023		2022	
	Fixed Rate	**Variable Rate**	**Fixed Rate**	**Variable Rate**
Commitments to extend credit:				
Lines of credit and construction loans	$ 58,318	$ 668,893	$ 42,184	$ 599,185
Overdraft protection	10	59,489	10	45,182
Letters of credit	821	273	960	630
	$ 59,149	$ 728,655	$ 43,154	$ 644,997

Commitments to make loans are generally made for a period of one year or less. Fixed-rate loan commitments included above had interest rates ranging from 3.5 % to 8.5 % at December 31, 2023 and 3.25 % to 8.00 % at December 31, 2022. Maturities extend up to 30 years.

Civista is required to maintain certain reserve balances on hand in accordance with the Federal Reserve Board requirements. The average reserve balance maintained in accordance with such requirements was $ 0 on December 31, 2023 and December 31, 2022, respectively.

CBI and Civista are parties to various claims and proceedings arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such proceedings and claims will not be material to the consolidated balance sheet or results of operations.

(Amounts in thousands, except share data)

NOTE 19 - CAPITAL REQUIREMENTS AND RESTRICTION ON RETAINED EARNINGS

CBI and Civista (collectively, the "Companies") are subject to various regulatory capital requirements administered by the federal banking agencies. 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 financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Companies must meet specific capital guidelines that involve quantitative measures of the Companies' assets, liabilities, and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements, and regulatory capital standards. The Companies' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Companies to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets, and Tier 1 capital to average assets. Management believes, as of December 31, 2023, that the Companies met all capital adequacy requirements to which they were subject.

As of December 31, 2023, and 2022, the most recent notification from the Federal Reserve Bank categorized Civista as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, Civista must maintain minimum total risk-based capital, Tier 1 risk-based capital, common equity Tier 1 risk-based capital, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed Civista's category.

The Company's and Civista's actual capital levels and minimum required capital levels at December 31, 2023 and 2022 were as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Purposes	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023						
Total Risk Based Capital						
Consolidated	$ 429,080	14.4 %	$ 237,604	8.0 %	n/a	n/a
Civista	400,047	13.5	236,568	8.0	$ 295,710	10.0 %
Tier I Risk Based Capital						
Consolidated	318,322	10.7	178,203	6.0	n/a	n/a
Civista	363,033	12.3	177,426	6.0	236,568	8.0
CET1 Risk Based Capital						
Consolidated	288,895	9.7	133,652	4.5	n/a	n/a
Civista	363,033	12.3	133,069	4.5	192,211	6.5
Leverage						
Consolidated	318,322	8.8	145,489	4.0	n/a	n/a
Civista	363,033	10.0	145,245	4.0	181,556	5.0
2022						
Total Risk Based Capital						

Consolidated	$ 395,125	14.1 %	$ 217,681	8.0 %	n/a	n/a
Civista	366,377	12.9	219,357	8.0	$ 274,196	10.0 %
Tier I Risk Based Capital						
Consolidated	293,164	10.4	163,261	6.0	n/a	n/a
Civista	337,866	11.9	164,517	6.0	219,357	8.0
CET1 Risk Based Capital						
Consolidated	263,736	9.4	122,446	4.5	n/a	n/a
Civista	337,866	11.9	123,388	4.5	178,227	6.5
Leverage						
Consolidated	293,164	8.7	131,479	4.0	n/a	n/a
Civista	337,866	10.0	131,240	4.0	164,050	5.0

(Amounts in thousands, except share data)

NOTE 19 - CAPITAL REQUIREMENTS AND RESTRICTION ON RETAINED EARNINGS (Continued)

CBI's primary source of funds for paying dividends to its shareholders and for operating expense is the cash accumulated from dividends received from Civista. Payment of dividends by Civista to CBI is subject to restrictions by Civista's regulatory agencies. These restrictions generally limit dividends to the current and prior two years retained earnings as defined by the regulations. In addition, dividends may not reduce capital levels below minimum regulatory capital requirements. At December 31, 2023, Civista had $

56,886
of net profits available to pay dividends to CBI without requiring regulatory approval.

NOTE 20 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of CBI follows:

Condensed Balance Sheets	**December 31, 2023**	**2022**
Assets:		
Cash	$ 8,331	$ 21,812
Equity securities	2,169	2,190
Investment in bank subsidiary	450,791	414,263
Investment in nonbank subsidiaries	3,917	3,236
Other assets	12,354	3,332
Total assets	$ 477,562	$ 444,833
Liabilities:		
Deferred income taxes and other liabilities	$ 1,618	$ 6,199
Subordinated debentures	103,943	103,799
Total liabilities	105,561	109,998
Shareholders' Equity:		
Common stock	311,166	310,182
Accumulated earnings	183,787	156,492

Treasury stock	(75,422)	(73,794)
Accumulated other comprehensive loss	(47,530)	(58,045)
Total shareholders’ equity	372,001	334,835
Total liabilities and shareholders’ equity	$ 477,562	$ 444,833

Condensed Statements of Operations	For the years ended December 31, 2023	2022	2021
Dividends from bank subsidiaries	$ 28,100	$ 26,300	$ 19,900
Dividends from non-bank subsidiaries	1,390	1,150	1,000
Interest expense	(4,849)	(3,781)	(956)
Pension expense	150	340	(47)
Other expense, net	(1,518)	(2,384)	(1,004)
Income before equity in undistributed net earnings of subsidiaries	23,273	21,625	18,893
Income tax benefit	1,309	1,140	425
Equity in undistributed net earnings of subsidiaries	18,382	16,662	21,228
Net income	$ 42,964	$ 39,427	$ 40,546
Comprehensive income (loss)	$ 53,489	$ (27,438)	$ 34,747

(Amounts in thousands, except share data)

NOTE 20 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (Continued)

	For the years ended December 31,		
Condensed Statements of Cash Flows	**2023**	**2022**	**2021**
Operating activities:			
Net income	$ 42,964	$ 39,427	$ 40,546
Adjustment to reconcile net income to net cash from operating activities:			
Change in other assets and other liabilities	(12,836)	4,587	2,495
Equity in undistributed net earnings of subsidiaries	(18,382)	(16,662)	(21,228)
Net cash provided by operating activities	11,746	27,352	21,813
Investing activities:			
Disposal of minority interest	—	—	11,500
Acquisition and additional capitalization of subsidiary, net of cash acquired	(14,000)	(25,960)	(50,000)
Net cash used in investing activities	(14,000)	(25,960)	(38,500)
Financing activities:			
Proceeds from subordinated debenture, net of issuance costs	—	—	73,386
Purchase of treasury stock	(1,628)	(16,887)	(22,309)
Cash dividends paid	(9,599)	(8,493)	(8,036)
Net cash provided by (used in) financing activities	(11,227)	(25,380)	43,041
Net change in cash and cash equivalents	(13,481)	(23,988)	26,354
Cash and cash equivalents at beginning of year	21,812	45,800	19,446

Cash and cash equivalents at end of year	$ 8,331	$ 21,812	$ 45,800

(Amounts in thousands, except share data)

NOTE 21 - EARNINGS PER COMMON SHARE

The factors used in the earnings per share computation follow.

	2023	2022	2021
Basic			
Net income	$ 42,964	$ 39,427	$ 40,546
Less allocation of earnings and dividends to participating securities	1,583	498	173
Net income available to common shareholders—basic	$ 41,381	$ 38,929	$ 40,373
Weighted average common shares outstanding	15,734,624	15,162,032	15,408,863
Less average participating securities	579,857	191,402	65,648
Weighted average number of shares outstanding used in the calculation of basic earnings per common share	15,154,767	14,970,630	15,343,215
Basic earnings per share	$ 2.73	$ 2.60	$ 2.63
Diluted			
Net income available to common shareholders—basic	$ 41,381	$ 38,929	$ 40,373
Net income available to common shareholders—diluted	$ 41,381	$ 38,929	$ 40,373
Weighted average common shares outstanding used in the calculation of earnings per common share basic	15,154,767	14,970,630	15,343,215
Average shares and dilutive potential common shares outstanding—diluted	15,154,767	14,970,630	15,343,215
Diluted earnings per share	$ 2.73	$ 2.60	$ 2.63

Basic earnings per common share are calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share include the dilutive effect, if any, of additional potential common shares issuable under the equity incentive plan, computed using the treasury stock method.

NOTE 22 - DERIVATIVE HEDGING INSTRUMENTS

To accommodate customer need and to support the Company's asset/liability positioning, on occasion we enter into interest rate swaps with a customer and a bank counterparty. The interest rate swaps are free-standing derivatives and are recorded at fair value. The Company enters into a floating rate loan and a fixed rate swap with our customer. Simultaneously, the Company enters into an offsetting fixed rate swap with a bank counterparty. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on the same notional amount at a fixed interest rate. At the same time, the Company agrees to pay a bank counterparty the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These transactions allow the Company's customer to effectively convert variable rate loans to fixed rate loans. Since the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts offset each other and do not significantly impact the Company's results of operations unless a significant difference in credit risk emerges between the counterparties at either end of one of the swap contracts. None of the Company's derivatives are designated as hedging instruments.

(Amounts in thousands, except share data)

NOTE 22 - DERIVATIVE HEDGING INSTRUMENTS (Continued)

The Company presents derivative positions gross on the balance sheet for customers and net for financial institution counterparty positions subject to master netting arrangements. The following table reflects the derivatives recorded on the balance sheet as of December 31:

	2023		2022	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**
Included in other assets:				
Interest rate swaps with loan customers in an asset position	$ 44,773	$ 2,114	$ 6,980	$ 269
Counterparty positions with financial institutions in an asset position	228,873	10,367	212,570	16,310
Total included in other assets		$ 12,481		$ 16,579
Included in accrued expenses and other liabilities:				
Interest rate swaps with loan customers in a liability position	$ 184,100	$ 12,481	$ 205,590	$ 16,579
Counterparty positions with financial institutions in an asset position	—	—	—	—
Counterparty positions with financial institutions in a liability position	—	—	—	—
Total included in accrued expenses and other liabilities		$ 12,481		$ 16,579
Gross notional positions with customers	$ 228,873		$ 212,570	
Gross notional positions with financial institution counterparties	$ 228,873		$ 212,570	

The effect of swap fair value changes on the Consolidated Statement of Operations for the years ended December 31, 2023, 2022 and 2021 are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivatives 2023	2022	2021
Interest rate swaps related to customer loans	Other income	$ —	$ —	$ 64
Total		$ —	$ —	$ 64

The Company monitors and controls all derivative products with a comprehensive Board of Director approved commercial loan swap policy. All hedge transactions must be approved in advance by the Lenders Loan Committee or the Directors Loan Committee of the Board of Directors. The Company classifies changes in the fair value of derivatives with “Other” in the Consolidated Statements of Operation. Any fees paid to enter the swap contract at inception are recognized in earnings when received. Such fees amounted to $ 673 and $ 247 during the years ended December 31, 2023 and 2022, respectively.

The Company did no t have any cash or securities pledged as collateral on its interest rate swaps with third party financial institutions at December 31, 2023 or 2022.

NOTE 23 – QUALIFIED AFFORDABLE HOUSING PROJECT INVESTMENTS

The Company invests in qualified affordable housing projects. At December 31, 2023 and 2022, the balance of the Company’s investments in qualified affordable housing projects was $15,122 and $14,149, respectively. These balances are reflected in the Other assets line on the Consolidated Balance Sheet. The unfunded commitments related to the investments in qualified affordable housing projects totaled $5,722 and $5,634 at December 31, 2023 and 2022, respectively. These balances are reflected in the Accrued expenses and other liabilities line on the Consolidated Balance Sheet.

During the years ended December 31, 2023, 2022 and 2021, the Company recognized amortization expense with respect to its investments in qualified affordable housing projects of $1,035, $1,086 and $818, respectively, which was included within pre-tax income on the Consolidated Statements of Operations.

Additionally, during the years ended December 31, 2023, 2022 and 2021, the Company recognized tax credits and other benefits from its investments in affordable housing tax credits of $1,655, $1,391 and $1,402, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company did not incur impairment losses related to its investment in qualified affordable housing projects.

NOTE 24 – REVENUE RECOGNITION

The Company accounts for revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers. Revenue associated with financial instruments, including revenue from loans and securities are outside the scope of the new standard and accounted for under existing GAAP. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives and certain credit card fees are also not in scope of the new guidance. Noninterest revenue streams in-scope of ASC 606 are discussed below.

Service Charges

Service charges consist of account analysis fees (i.e., net fees earned on analyzed business and public checking accounts), monthly service fees, and other deposit account related fees. The Company’s performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Company’s performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers’ accounts.

ATM/Interchange Fees

Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company’s debit and credit cards are processed through card payment networks such as Mastercard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. The Company’s performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Wealth Management Fees

Wealth management fees are primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received in the following month through a direct charge to customers' accounts. The Company does not earn performance-based incentives. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

(Amounts in thousands, except share data)

NOTE 24 – REVENUE RECOGNITION (Continued)

Tax Refund Processing Fees

The Company facilitates the payment of federal and state income tax refunds in partnership with a third-party vendor. Refund Transfers ("RTs") are fee-based products whereby a tax refund is issued to the taxpayer after the Company has received the refund from the federal or state government. As part of this agreement the Company earns fee income, the majority of which is received in the first quarter of the year. The Company's fee income revenue is recognized based on the estimated percent of business completed by each date.

Other

Other noninterest income consists of other recurring revenue streams such as check order fees, wire transfer fees, safety deposit box rental fees, item processing fees and other miscellaneous revenue streams. Check order income mainly represents fees charged to customers for checks. Wire transfer fees represent revenue from processing wire transfers. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Item processing fee income represents fees charged to other financial institutions for processing their transactions. Payment is typically received in the following month.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2023, 2022 and 2021.

	For the years ended December 31,		
	2023	**2022**	**2021**
Noninterest Income			
In-scope of Topic 606:			
Service charges	$ 7,206	$ 7,074	$ 5,905
ATM/Interchange fees	5,880	5,499	5,443
Wealth management fees	4,767	4,902	4,857
Tax refund processing fees	2,375	2,375	2,375
Other	10,220	4,686	1,055
Noninterest Income (in-scope of Topic 606)	30,448	24,536	19,635
Noninterest Income (out-of-scope of Topic 606)	6,715	4,540	11,817
Total Noninterest Income	$ 37,163	$ 29,076	$ 31,452

NOTE 25 - LEASES

We have operating leases for several branch locations and office space. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. We also lease certain office equipment under operating leases. Many of our leases include both lease (e.g., minimum rent payments) and non-lease (e.g., common-area or other maintenance costs) components. The Company accounts for each component separately based on the standalone price of each component. In addition, we have several operating leases with lease terms of less than one year and therefore, we have elected the practical expedient to exclude these short-term leases from our right-of-use (ROU) assets and lease liabilities.

Most leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion. The majority of renewals to extend the lease terms are included in our ROU assets and lease liabilities as they are reasonably certain of exercise.

As most of our leases do not provide an implicit rate, we use the fully collateralized FHLB borrowing rate, commensurate with the lease terms based on the information available at the lease commencement date in determining the present value of the lease payments.

(Amounts in thousands, except share data)

NOTE 25 – LEASES (Continued)

The balance sheet information related to our operating leases were as follows as of December 31, 2023 and 2022:

	Classification on the Consolidated Balance Sheet	December 31, 2023	December 31, 2022
Assets:			
Operating lease	Other assets	$ 1,632	$ 2,108
Liabilities:			
Operating lease	Accrued expenses and other liabilities	$ 1,632	$ 2,108

The cost components of our operating leases were as follows for the periods ended December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Lease cost		
Operating lease cost	$ 499	$ 445
Short-term lease cost	160	182
Sublease income	(26)	(29)
Total lease cost	$ 633	$ 598

Maturities of our lease liabilities for all operating leases for each of the next five years and thereafter is as follows:

2024	$ 635
2025	459
2026	412
2027	292
2028	-
Thereafter	-
Total lease payments	$ 1,798
Less: Imputed Interest	166
Present value of lease liabilities	$ 1,632

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2023:

Weighted-average remaining lease term - operating leases (years)	4.29
Weighted-average discount rate - operating leases	2.89 %

The Company is the lessor of equipment under operating leases to a wide variety of customers, from commercial and industrial to government and healthcare. The operating lease assets are presented on the balance sheet as Premises and equipment. The Company records lease revenue over the term of the lease and retains ownership of the related assets which are depreciated over the estimated useful life, normally two to six years .

The Company also leases equipment to customers under direct financing leases. At the inception of each lease, the lease receivables, together with the present value of the estimated unguaranteed residual values are presented on the balance sheet as Loans. The excess of the lease receivables and residual values over the cost of the equipment is recorded as unearned lease income and will be recognized over the lease term, normally two to six years as well.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

The Company has had no disagreements with its independent accountants on matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure required to be reported under this Item.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Principal Accounting Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15 under the Exchange Act, as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Principal Accounting Officer concluded that our disclosure controls and procedures as of December 31, 2023, were effective.

Management's Annual Report on Internal Control over Financial Reporting

The "MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING" is included in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this Annual Report on Form 10-K.

Audit Report of the Registered Public Accounting Firm

The "REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM" is included in "ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA" of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

(a) There was no information the Company was required to disclose in a current report on Form 8-K during the fourth quarter of 2023 that was not reported.

(b) During the quarter ended December 31, 2023, no director or officer (as defined under Rule 16a-1 of the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangements or any non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information contained under the captions “PROPOSAL 1 – ELECTION OF DIRECTORS”, “BENEFICIAL OWNERSHIP OF COMMON SHARES OF THE CORPORATION –Section 16(a) Reports”, “BOARD OF DIRECTOR MEETINGS AND COMMITTEES – Committees of the Board – Audit Committee”, “CORPORATE GOVERNANCE – Code of Ethics”, “CORPORATE GOVERNANCE – Nominating Procedure” and “EXECUTIVE OFFICERS OF THE CORPORATION” in the 2024 Proxy Statement is incorporated herein by reference in response to this Item.

The procedures by which shareholders of the Company may recommend nominees to the Company’s Board of Directors are described under the caption “CORPORATE GOVERNANCE – Nominating Procedure” in the 2024 Proxy Statement. The procedures by which shareholders of the Company may recommend nominees to the Company’s Board of Directors have not materially changed from those described in the Company’s definitive Proxy Statement for the 2023 annual meeting of shareholders held on April 18, 2023.

Item 11. Executive Compensation.

The information contained under the captions “2023 COMPENSATION OF DIRECTORS”, “COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION” and “EXECUTIVE COMPENSATION” in the 2024 Proxy Statement is incorporated herein by reference in response to this Item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information contained under the caption “BENEFICIAL OWNERSHIP OF COMMON SHARES OF THE COMPANY” in the 2024 Proxy Statement is incorporated herein by reference in response to this Item.

The following table shows the number of common shares remaining available for awards under the Company’s 2014 Incentive Plan at December 31, 2023.

Equity Compensation Plan Information

Plan category	(a) Number of Common Shares to be issued upon exercise of outstanding options, warrants and rights (a)	(b) Weighted-average exercise price of outstanding options, warrants and rights (b)	(c) Number of Common Shares remaining available for future issuance under equity compensation plans (excluding common shares reflected in column (a))
Equity compensation plans approved by shareholders	—	—	60,049
Equity compensation plans not approved by shareholders	—	—	—
Total	—	—	60,049

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained under the caption “CORPORATE GOVERNANCE – Director Independence” and “CORPORATE GOVERNANCE – Transactions with Directors, Officers and Related Persons” in the 2024 Proxy Statement is incorporated herein by reference in response to this Item.

Item 14. Principal Accountant Fees and Services.

The information contained under the caption “AUDIT COMMITTEE MATTERS” of the 2024 Proxy Statement is incorporated herein by reference in response to this Item.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a)Documents filed as a Part of the Report

1. Financial Statements. Civista Bancshares, Inc.'s Report of Independent Auditors and Consolidated Financial Statements and accompanying notes are filed as part of this document under Item 8.

Report of Independent Registered Public Accounting Firm on Financial Statements (PCAOB ID: 686)

Consolidated Balance Sheets - December 31, 2023 and 2022

Consolidated Statements of Operations - For the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Comprehensive Income - For the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Changes in Shareholders' Equity - For the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Cash Flows - For the years ended December 31, 2023, 2022 and 2021

Notes to Consolidated Financial Statements

2. Financial Statement Schedules. All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits

Exhibit	Description	Location
2.1	Agreement and Plan of Merger, dated January 10, 2022 by and between Civista Bancshares, Inc. and Comunibanc Corp.	Filed as Exhibit 2.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on January 10, 2022 and incorporated herein by reference. (File No. 001-36192).
2.2	Stock Purchase Agreement, dated as of September 29, 2022, by and among Civista Bancshares, Inc., Vision Financial Group, Inc., and Frederick Summers	Filed as Exhibit 2.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated September 29, 2022 and filed on September 30, 2022 and incorporated herein by reference. (File No. 001-36192).
3.1	Second Amended and Restated Articles of Incorporation of Civista Bancshares, Inc., as filed with the Ohio Secretary of State on November 15, 2018	Filed as Exhibit 3.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on November 16, 2018 and incorporated herein by reference (File No. 001-36192).
3.2	Amended and Restated Code of Regulations of Civista Bancshares, Inc. (adopted April 15, 2008).	Filed as Exhibit 3.2 to Civista Bancshares, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2017, filed on November 8, 2017 and incorporated herein by reference. (File No. 001-36192)
4.1	Indenture dated November 30, 2021, by and between Civista Bancshares, Inc. and UMB Bank, National Association, as Trustee.	Filed as Exhibit 4.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on November 30, 2022 and incorporated herein by reference (File No. 001-36192).
4.2	Forms of 3.25% Fixed-to-Floating Rate Subordinated Notes due 2031.	Included as Exhibit A-1 and Exhibit A-2 to the Indenture filed as Exhibit 4.1 hereto.
4.3	Agreement to furnish instrument and agreements defining rights of holders of long-term debt.	Included herewith.
4.4	Description of Capital Stock of Civista Bancshares, Inc.	Filed as Exhibit 4.2 to Civista Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 15, 2021 and incorporated herein by reference (File No. 001-36192).
10.1*	Form of Change in Control Agreement by and among Civista Bancshares, Inc., Civista Bank and certain executive officers.	Filed as Exhibit 10.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on March 8, 2019 and incorporated herein by reference. (File No. 001-36192).
10.2*	Form of Amended and Restated Change in Control Agreement by and among Civista Bancshares, Inc., Civista Bank and certain executive officers.	Filed as Exhibit 10.1 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on March 8, 2019 and incorporated herein by reference. (File No. 001-36192).
10.3*	Form of Pension Shortfall Agreement by and among Civista Bancshares, Inc., Civista Bank and certain executive officers.	Filed as Exhibit 10.2 to Civista Bancshares, Inc.'s Current Report on Form 8-K dated and filed on October 29, 2015 and incorporated herein by reference. (File No. 001-36192).
10.4*	Supplemental Nonqualified Executive Retirement Plan	Filed as Exhibit 10.12 to Civista Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, filed on March 15, 2012 and incorporated herein by reference (File No. 0-25980).
10.5*	Amendment to Supplemental Nonqualified Executive Retirement Plan	Filed as Exhibit 10.13 to Civista Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, filed on March 15, 2012 and incorporated herein by reference (File No. 0-25980).
10.6*	Second Amendment to Supplemental Nonqualified Executive Retirement Plan	Filed as Exhibit 10.1 to Civista Bancshares, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed on August 9, 2016 and incorporated herein by reference (File No. 1-36192)

Exhibit	Description	Location
10.7*	2018 Amendment to Supplemental Nonqualified Executive Retirement Plan	Filed as Exhibit 10.1 to Civista Bancshares, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 2018, filed on August 8, 2018 and incorporated herein by reference (File No. 1-36192).
10.8*	Civista Bancshares, Inc. 2014 Incentive Plan	Filed as Exhibit 10.1 to Civista Bancshares, Inc.'s Registration Statement on Form S-8 filed on February 26, 2015 and incorporated herein by reference (File No. 333-202316).
10.9*	Form of Restricted Stock Award Agreement under Civista Bancshares, Inc. 2014 Incentive Plan	Filed as Exhibit 10.8 to Civista Bancshares, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018, filed on March 15, 2019 and incorporated herein by reference. (File No. 1-36192)
21.1	Subsidiaries of Civista Bancshares, Inc	Included herewith
23.1	Consent of FORVIS, LLP	Included herewith
31.1	Rule 13a-14(a)/15-d-14(a) Certification of Chief Executive Officer	Included herewith
31.2	Rule 13a-14(a)/15-d-14(a) Certification of Principal Accounting Officer	Included herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith
32.2	Certification of Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith
97	Clawback Policy	Included herewith
101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document	
101.SCH	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents	
104	Cover page formatted as Inline XBRL and contained in Exhibit 101	

* Management contract or compensatory plan or arrangement

Item 16. Form 10-K Summary

Not Applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Civista Bancshares, Inc.

By /s/ Dennis G. Shaffer
Dennis G. Shaffer, President & CEO
(Principal Executive Officer)

Date: March 14, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 14, 2024 by the following persons (including a majority of the Board of Directors of the Registrant) in the capacities indicated:

/s/ Dennis E. Murray, Jr. Dennis E. Murray, Jr., Chairman of the Board	/s/ Dennis G. Shaffer Dennis G. Shaffer, President & CEO, Vice Chair
/s/ Todd A. Michel Todd A. Michel, Senior Vice President (Principal Accounting Officer)	/s/ John O. Bacon John O. Bacon, Director
/s/ Darci L. Congrove Darci L. Congrove, Director	/s/ Mark J. Macioce Mark J. Macioce, Director
/s/ Julie A. Mattlin Julie A. Mattlin, Director	/s/ James O. Miller James O. Miller, Director
/s/ Allen R. Nickles, CPA, CFE, CICA Allen R. Nickles, CPA, CFE, CICA, Director	/s/ M. Patricia Oliver M. Patricia Oliver, Director
/s/ Clyde A. "Chip" Perfect Clyde A. "Chip" Perfect, Director	/s/ Harry Singer Harry Singer, Director
/s/ Nathan E. Weaks Nathan E. Weaks, Director	/s/ Lorina W. Wise Lorina W. Wise, Director
/s/ Gerald B. Wurm Gerald B. Wurm, Director	

Exhibit 4.3

[CIVISTA BANCSHARES, INC. LETTERHEAD]

March 14, 2024

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Civista Bancshares, Inc. Form 10-K for the fiscal year ended December 31, 2023

Ladies and Gentlemen:

Civista Bancshares, Inc., an Ohio corporation ("CBI"), is today filing an Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the Form 10-K), as executed on March 14, 2024.

Pursuant to the instructions relating to the Exhibits in Item 601(b)(4)(iii) of Regulation S-K, CBI hereby agrees to furnish the Commission, upon request, copies of instruments and agreements defining the rights of holders of its long-term debt and of the long-term debt of its consolidated subsidiaries, which are not being filed as exhibits to the Form 10-K. None of such long-term debt exceeds 10% of the total assets of CBI and its subsidiaries on a consolidated basis.

Very truly yours,

/s/ Dennis G. Shaffer

Dennis G. Shaffer

President and Chief Executive Officer

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT

Subsidiary	Jurisdiction of Organization
Civista Bank	Ohio
First Citizens Insurance Agency, Inc.	Ohio
Water Street Properties, Inc.	Ohio
First Citizens Investments, Inc.	Delaware
CIVB Risk Management, Inc.	Delaware
First Citizens Statutory Trust II	Connecticut
First Citizens Statutory Trust III	Delaware
First Citizens Statutory Trust IV	Delaware
Futura TPF Trust I	Delaware
Futura TPF Trust II	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Civista Bancshares, Inc.

We consent to the incorporation by reference in Registration Statements File No. 333-202316 on Form S-8, File No. 333-260273 on Form S-3 and File No. 333-264111 on Form S-4 of Civista Bancshares, Inc. of our report dated March 14, 2024, with respect to the consolidated financial statements of Civista Bancshares, Inc. and the effectiveness of internal control over financial reporting, including in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ FORVIS, LLP

Cincinnati, Ohio
March 14, 2024

Exhibit 31.1

Certification of Principal Executive Officer

CERTIFICATIONS FOR ANNUAL REPORT ON FORM 10-K

I, Dennis G. Shaffer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Civista Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature and Title:	/s/ Dennis G. Shaffer, President, CEO	Date:	March 14, 2024

Exhibit 31.2

Certification of Principal Financial Officer

CERTIFICATIONS FOR ANNUAL REPORT ON FORM 10-K

I, Todd A. Michel, certify that:

1. I have reviewed this Annual Report on Form 10-K of Civista Bancshares, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature and Title:	/s/ Todd A. Michel, Senior Vice President, Controller	Date:	March 14, 2024

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Civista Bancshares, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2023, as filed with the Securities and Exchange Commission on the date of this certification (the Report), I, Dennis G. Shaffer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis G. Shaffer

Dennis G. Shaffer

Chief Executive Officer

March 14, 2024

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Civista Bancshares, Inc. (the “Company”) on Form 10-K for the period ending December 31, 2023, as filed with the Securities and Exchange Commission on the date of this certification (the Report), I, Todd A. Michel, Senior Vice President and Controller of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd A. Michel

Todd A. Michel

Senior Vice President, Controller

March 14, 2024

Exhibit 97

Approved Civista Bancshares, Inc. Board of Directors: 7/25/23
Approved Civista Bank Board of Directors: 7/25/23

CIVISTA BANCSHARES, INC. CLAWBACK POLICY

This Clawback Policy (this “**Policy**”) has been adopted by the Compensation Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Civista Bancshares, Inc. (the “**Company**”) effective as of July 26, 2022 (the “Effective Date”).

1. Recovery of Certain Incentive-Based Compensation due to Restatement of Financial Statements.

a. In the event that following the Effective Date the Company is required to prepare an accounting restatement due to the Company’s material noncompliance with any financial reporting requirement under the U.S. federal securities laws (a “**Restatement**”) regardless of individual fault, the Committee may take such action as it deems necessary to recover, subject to the terms of this Policy, from any current or former Senior Officer of the Company who was awarded Incentive-Based Compensation, any or all of the Excess Incentive- Based Compensation that such Senior Officer was awarded during the thirty-six (36) months preceding the date on which the Company is required to prepare a Restatement.

b. For the avoidance of doubt, a restatement of the Company’s financial statements due to a change in accounting policies or principles shall not be deemed a Restatement for purposes of this Policy.

2. Applicability. Recovery under this Policy shall solely apply to (i) awards that have been granted after the Effective Date, (ii) awards granted prior to the Effective Date but remain outstanding on or after the Effective Date and (iii) awards that specifically reference the possibility of recovery under a clawback or compensation recovery policy to be adopted by the Company.

3. Definitions. For purposes of this Policy, the following terms have the meanings indicated, in addition to the other terms defined herein:

a. “**Incentive-Based Compensation**” means, with respect to a Senior Officer Compensation as to which the vesting, payment or settlement is determined or based (“**Awarded**”) upon the satisfaction of one or more performance conditions related directly to one or more financial measures disclosed on the Company’s financial statements. For avoidance of the doubt, a financial measure shall include a measure that reflects adjustments made to a financial measure disclosed on the Company’s financial statements. The term “**Compensation**” shall include, but shall not be limited to, annual incentive compensation payable under the Company’s Civista Bancshares, Inc. 2014 Incentive Plan, whether paid in cash, stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units or in any other form.

b. “Excess Incentive-Based Compensation” means the amount or value of Incentive-Based Compensation Awarded by the Company or any subsidiary of the Company to a Senior Officer on or after the Effective Date in excess of what would have been

Awarded to that Senior Officer based on the results as reported in the Restatement, but in no event will such Excess

Incentive-Based Compensation exceed the total amount of such Incentive-Based Compensation originally Awarded to that Senior Officer on or after the Effective Date.

c. “**Senior Officer**” shall mean any individual who (i) is an officer of either the Company or Civista Bank, (ii) holds the office of Chief Executive Officer, President, Executive Vice President or Senior Vice President, and (iii) is paid incentive compensation based on the financial results of the Company as a whole.

d. “**Triggering Event**” means any event that would permit the Committee to recover any Excess Incentive-Based Compensation under Section 1 of this Policy.

4. Recoupment Process.

a. Committee Determination Whether to Seek Recoupment of Excess Incentive-Based Compensation. If the Committee determines that a Triggering Event has occurred, the Committee will determine the Excess Incentive-Based Compensation, with respect to each Senior Officer or former Senior Officer who is impacted by such Triggering Event and will take prompt and reasonable action in accordance with this Policy to determine whether to seek, and if so, to seek recovery of appropriate Excess Incentive-Based Compensation in accordance with Section 1 of this Policy.

b. Committee Determination as to the Method of Recoupment of Excess Incentive-Based Compensation. In addition to any recoupment provided hereunder, the Committee may reduce, in its sole discretion, future Incentive-Based Compensation payable to a Senior Officer following a Restatement to offset any amount that the Committee deems appropriate to recover under this Policy, provided that the Committee may not seek recovery of any amount by reducing any future amount that is payable and/or to be provided to the Senior Officer and that is considered “non-qualified deferred compensation” under Section 409A of the Internal Revenue Code of 1986, as amended and the regulations and guidance promulgated thereunder. To the extent feasible, in order to effectuate a recoupment under this Policy, the Committee will first consider reducing amounts otherwise due from the Company that have not yet been paid to the Senior Officer. There shall be no duplication of recovery under this Policy and any of 15 U.S.C. Section 7243 (Section 304 of the Sarbanes-Oxley Act of 2002) or Section 10D of the Exchange Act

5. Interpretation of this Policy;Determinations by the Committee and the Board. The Committee and the Board may at any time in their sole discretion supplement or amend any provision of this Policy in any respect, repeal this Policy in whole or part or adopt a new policy relating to recovery of Incentive-Based Compensation with such terms as the Committee and the Board determine in their sole discretion to be appropriate. The Committee and the Board have the exclusive power and authority to administer this Policy, including, without limitation, the right and power to interpret the provisions of this Policy and to make all determinations deemed necessary or advisable for the administration of this Policy, including, without limitation, any determination as to: (a) whether a Triggering Event has occurred and (b) what constitutes Excess Incentive-Based Compensation and Incentive-Based Compensation. All such actions, interpretations and determinations that are taken or made by the Committee and the Board in good faith will be final, conclusive and binding.

6. Due Process. Before the Committee determines to seek recovery pursuant to this Policy, it shall provide, where feasible, the Senior Officer or former Senior Officer with written notice and the opportunity to be heard,at a meeting of the Committee (which may be in-person or telephonic, as determined by the Committee).

7. Application of Policy. This Policy will not apply if or to the extent prohibited by or unenforceable under applicable law or if application of the Policy would result in the breach of the terms of any award or the terms of any existing employment agreement (or any award provided for under such agreement). In addition, the exercise by the Board or Committee of any rights pursuant to this Policy shall be without prejudice to any other rights that the Company may have with respect to any Senior Officer subject to this Policy (it being understood that the Company maintains the rights that it has at law to cancel or recover any compensation or award if applicable law or circumstances so warrant).

* * *