

## Letter to the Shareholders

To Our Shareholders, Customers, and Friends:

Our communities continue to weather the inflationary challenges from the past few years. Just two short years ago, the Federal Reserve's overnight interest rates were at 0%-0.25%, where they have been for nine of the last fifteen years. Inflation, commonly measured by the Consumer Price Index or CPI, had averaged 2.78% for nearly 40 years. It's no wonder that inflation and interest rates came as a very unpleasant and unrecognized surprise to all, including the Federal Reserve.

Yet by June of 2022, the CPI was at 9.1% and the Fed had begun to aggressively raise rates in its fight against inflation. Gone from the Fed's vocabulary was "transitory," replaced with "higher for longer." The Federal Reserve appears to have paused its campaign of rate increases, but not before inflicting tremendous stress on the U.S. economy. Citizens Bank remains committed to our conservative community bank fundamentals. Our bank continues to be well capitalized, our loan portfolio remains solid, and as a result we navigated the challenges of the pandemic with no net loan losses. Loan portfolio growth for 2023 exceeded expectations and deposits have stabilized with modest growth from pre-pandemic levels. Our investment portfolio continues to pay down as designed, providing liquidity to fund future loan growth.

While the coming year may bring additional economic challenges from the effects of higher interest rates, we will remain steadfast in our commitment to our customers and the communities we serve.

### Select 2023 Highlights:

- Net income of \$6.2 million decreased 32.4% or \$2.9 million from the prior year's \$9.1 million, largely related to the \$2.5 million reduction in reverse provisioning for future loan losses in 2023 vs. 2022.
- Income before taxes and the provision for loan losses of \$7.9 million decreased by 17.2% or \$1.7 million from the prior year's \$9.6 million, driven by increased personnel costs and increased FDIC insurance assessments.
- Total loans increased 7.3% or \$27.7 million at year-end 2023.
- The average yield on the loan portfolio was 5.71% at December 31, 2023, an increase of 57 basis points from the same period in 2022.
- Credit quality continues to be strong, and the Bank has recognized no net loan losses for several years.
- Total securities decreased 15.0% or \$69.3 million at December 31, 2023 in line with contractual payments and maturities. No investment securities have been or are planned to be sold. All securities continue to be held as available-for-sale and reported at fair value.

Throughout the pandemic and the economic disruptions that have followed, our dedicated employees have continued to exceed expectations. Regardless of the challenge, they have continually answered the call and delivered exceptional service for our customers and communities. Because of this commitment, the bank remains safe, solid, and secure.

Thank you for your continued support.

Gordon Zimmerman  
President/CEO

Eric Thompson  
Chairman of the Board