

CITIZENS
BANCORP

2023

ANNUAL REPORT



CITIZENS BANK

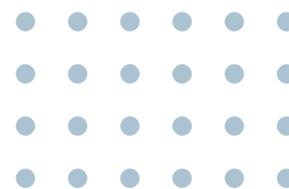
BANK OF CELINA • LIBERTY STATE BANK
SMITH COUNTY BANK • TRADERS BANK
AMERICAN BANK & TRUST





www.citizens-bank.org

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LETTER TO SHAREHOLDERS

To Our Shareholders,

March 2024

Citizens Bancorp Investment, Inc. reported **net income of \$14.7 million for 2023**, compared to \$18.6 million in 2022, a 21% decrease. Fully diluted earnings per share were \$2.45 for the year versus \$3.11 for 2022. Our return on average equity was 11.90% for 2023 and our return on average assets was 0.97%.

Earnings decreased in 2023 compared to 2022 due to a 6.6% decline in net interest income in 2023 compared to 2022. Significantly higher interest costs on both deposits and borrowings more than offset higher interest income on loans produced by higher loan volumes at higher average rates. Rapidly rising market interest rates caused funding costs to rise faster than loan yields throughout 2023. Nevertheless, our officers and employees did an excellent job growing loans by almost 7% in a higher rate environment in 2023 compared to the lower rate environment of 2022. Much of this success occurred in the fourth quarter of 2023, thus helping start the year 2024 with a larger loan portfolio at higher loan yields. Further, our loan portfolio now exceeds \$1 billion. With the advent of a stronger loan portfolio, our board of directors approved a **dividend of \$0.18 per share** to shareholders payable on February 7, 2024. This represents a **5.9% increase** over the dividend paid in November 2023.

Non-interest income for 2023 declined 14.4% compared to 2022 due to continued declines in mortgage related income. However, increases in life insurance income partially offset the decline in mortgage income gains. Mortgage volume for purchases continues to be modest due to higher mortgage rates. Non-interest expense increased 3.6% to \$33.3 million due primarily to rising employee compensation costs and higher data processing costs. Provision for loan losses decreased 26.0% to \$972,000, as our strong credit quality required a lower provision for loan losses. Net loan charge-offs in 2023 remained level at 0.01% of average loans outstanding. We had a strong allowance for loan losses at 1.10% of loans at year-end 2023.

Total assets grew \$64.7 million to \$1.55 billion at December 31, 2023 compared to December 31, 2022, a 4.4% increase. Total deposits were \$1.33 billion at December 31, 2023, a 4.1% increase versus 2022. Total loans were \$1.04 billion at December 31, 2023, a 6.9% increase versus 2022. A strong loan pipeline continued to produce quality loans at good yields in 2023, especially in the fourth quarter.

Citizens Bancorp's capital remained strong at \$134.2 million at December 31, 2023; this represents 8.65% of total assets. Capital increased approximately 14.8% from December 2022 levels due to retention of earnings and a decrease in the level of unrealized losses in investment portfolio values. Management expects to hold the securities, and thus, does not expect to realize those losses.

Higher interest rates raised in the past two years by the Federal Reserve Bank not only eliminated the refinance boom for secondary market mortgages, but it also significantly reduced purchase mortgage activity. Higher home prices and a 30 year mortgage rate currently above 7% (as of this writing) reduced mortgage application volumes. However, our servicing portfolio of approximately \$230 million in secondary market loans continues to produce fee income and provide cross-sell opportunities.

The failures of several large east and west coast banks during 2023 focused national attention on the liquidity in the banking industry. Contrary to those banks, Citizens Bank has multiple sources of liquidity to draw upon to ensure we have the monies needed to support our customers' cash needs. While higher interest rates have caused pressures on our deposit costs and competition for deposits is strong, we have been able to meet customers' needs. Further, our investment portfolio, like that of many banks, has declined in value since purchase date, however, we intend to hold onto our investments until they mature at full value.

Recent events in the financial markets have focused national attention on the commercial real estate markets and on all banks' exposure to any weakness in that sector, especially office buildings. Citizens Bank's portfolio of non-owner occupied commercial real estate comprised only 12.4% of our total portfolio at December 31, 2023. Loans for non-owner occupied office buildings comprised less than 1% of our loan portfolio. Further, only 15.7% of our commercial real estate portfolio is considered "owner-occupied" by customers utilizing the property to conduct their business.

As the Federal Reserve has indicated interest rates will moderate at current levels for the near term, this higher rate environment is allowing loan rates to reprice to higher rates. However, there is still continued pressure on deposit rates, thereby keeping funding costs higher than we would like. A gradual decline in interest rates to more moderate levels would best serve our bank's financial prospects.

Middle Tennessee continues to be a strong growth area with a diverse economy and employer base. While the current banking market in our trade area is very competitive, our bankers enjoy excellent reputations in our markets. Management is focusing a renewed effort on our growth markets due to our solid loan base and excellent growth prospects. The bank expects to add experienced bankers to our team to take advantage of that growth. Thus, Management and our Board of Directors remain bullish on the economic prospects for our communities and our bank.

Trading in our stock continues on OTCQX under the "ticker" symbol **CBTN**. As of the writing of this letter, the **most recent sale of CBTN occurred at \$36 per share**. Please contact us if you have questions on how to take full advantage of our listing on OTCQX.

Our officers and staff have worked extremely hard to generate quality loan growth of \$67 million at favorable interest rates in 2023; that loan growth should produce solid revenue for several years. Further, the Federal Reserve's increases in interest rates appear to have ended and this should ease the pressure on deposit and borrowing costs. This bodes well for an improving net interest margin and earnings. As the economy begins to soften, your bank is in a good position with excellent earnings, strong credit quality, and dedicated employees.

We appreciate your investment in and support for our company. Please refer your family and friends to us for their banking needs.



Peter G. Williston
Chairman and Chief Executive Officer
Citizens Bancorp Investment, Inc.



CITIZENS BANK

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AMERICAN BANK & TRUST

1909



Citizens Bank of Lafayette, Tennessee, opened for business with \$12,000 in capital provided by local community investors.

1973



Charles Darnell named President and CEO. Bank's total assets reach \$14 million.

1987



Citizens Bank acquires Bank of Celina in 1987.

1998



Citizens Bank acquires Liberty State Bank in 1998.

2015



Citizens Bank merges with Traders Bank.

2023



The bank's total assets reach almost \$1.6 billion with 22 locations in Middle Tennessee.

1931



The bank survived the Great Depression in the 1930's and was strong enough to acquire the Farmers and Merchants Bank in Lafayette in 1931.

1974



Citizens Bank operated from a single location until 1974, when it opened its first branch.

1993



Citizens Bank acquires Smith County Bank in 1993.

2009



Citizens Bank acquires Gainesboro branch in 2009.

2020



Citizens Bank acquires American Bank & Trust.

CITIZENS BANK CORE VALUES



COMMUNITY

We are the leaders in making our community a better place



INTEGRITY

We always do the right thing



LEADERSHIP

We have a "how can we" attitude



RESPECT

We contribute to a fun, safe, and respectful work environment



TEAMWORK

We own our results and our customers' experience



GROWTH

We create significant value for shareholders



SERVICE

We find great joy in helping our customers succeed



COMMUNICATION

We make timely, well-informed decisions





MEETING THE NEEDS OF OUR COMMUNITY

Citizens Bank has long been committed to meeting the diverse needs of the communities we serve. We take pride in our role as partners in the success of local businesses, customers, and the overall economy. Our team members not only work in these communities but also live in them, ensuring that our dedication is personal and deeply rooted.

One of the key ways in which Citizens Bank supports local businesses is through tailored financial solutions. We understand that each business is unique, which is why we offer a range of products and services designed to meet their specific needs. Whether it's providing working capital, financing expansion projects, or offering cash management solutions, we are committed to helping our local businesses thrive.

In addition to supporting businesses, we also prioritize meeting the needs of our customers. From personal banking services to mortgages and wealth management, we offer a comprehensive suite of products designed to help individuals achieve their financial goals. Our commitment to exceptional customer service ensures that every customer receives the attention and support they deserve.

Citizens Bank is proud to be a trusted partner in the communities we serve. Through our commitment to supporting local businesses, customers, and the local economy, we strive to make a positive impact that extends far beyond banking services. Together, we can build stronger, more vibrant communities for generations to come.

INVESTING IN OUR FUTURE... IN OUR COMMUNITIES

Citizens Bank is more than just a financial institution; it's a pillar of support and a driving force for positive change in the communities it serves. Through a variety of initiatives and programs, Citizens Bank invests in the well-being and prosperity of its communities, fostering growth and opportunity for all. From financial literacy programs and philanthropic donations to small business support and community development projects, Citizens Bank's multi-faceted investment approach demonstrates its unwavering commitment to making a meaningful impact where it matters most.

Financial education is crucial for building resilience and reducing stress during economic challenges. Citizens Bank recognizes this importance and partners with local schools to provide financial literacy programs and resources. Our LiFE Program is a web-based platform that uses innovative technology to teach critical financial concepts, such as banking, budgeting, and investments. This free program tracks student progress and provides a Certification in Financial Literacy, empowering the next generation with essential skills for a brighter financial future.

Citizens Bank's School Debit Card Program is a unique initiative that supports local community schools through philanthropy. For every signature transaction made with our school debit cards, we contribute \$0.05 back to the schools. In 2023, thanks to our customers' participation, we collectively donated over \$53,600 to local schools, demonstrating our commitment to supporting education and giving back to the communities we serve.

We are deeply committed to supporting a wide range of community projects that make a positive impact on the lives of others. From providing financial assistance to the Ronald McDonald House, a home away from home for families of seriously ill children receiving treatment at nearby hospitals, to supporting local pet shelters and animal rescue organizations, Citizens Bank's dedication to community welfare knows no bounds. Additionally, Citizens Bank extends its support to the US Veterans' home in Sumner County, TN, ensuring that those who have served our country receive the care and support they deserve. These are just a few examples of the many ways in which Citizens Bank invests in and supports the communities it serves, making a tangible difference in the lives of individuals and families across the nation.



BOARD OF DIRECTORS

Thomas E. Anderton
*President, Citizens Bancorp Investment Inc.,
and Citizens Bank, Shelbyville, TN*

Joe M. Carter
Banker (retired), Lafayette, TN

Chad A. Gilbert
Construction/Real Estate, Cookeville, TN

Eugene R. London, Jr.
*Systems Integration/Modeling & Simulation, Inc.
Tullahoma, TN*

Jon Alan Long
Dentist, Carthage, TN

F. Tom McCall
D.T. McCall & Sons, Lafayette, TN

Cynthia A. McClard
*Pharmacy Consultant/Store Owner,
Brentwood, TN*

Tony H. Polston
BD Polston Building Supply, Lafayette, TN

M. Todd Reese
Reese's Piggly Wiggly, Lafayette, TN

Michael W. Reese
Reese's Piggly Wiggly, Castalian Springs, TN

Peter G. Williston
*Chairman and CEO, Citizens Bancorp
Investment Inc., and Citizens Bank, Lafayette, TN*

SENIOR MANAGEMENT

Thomas E. Anderton
President

A. Joseph Butaud, Jr.
SVP/Chief Credit Officer

Douglas L. Haehl
VP/Marketing

Jason L. Hall
SVP/Chief Retail Officer

Kevin L. Miller
EVP/Chief Information Officer

Cecilia L. Russell
SVP/Chief Risk Officer

Ryan T. Smith
EVP/Chief Banking Officer

Patty Snyder
AVP/Human Resources

Arthur O. Taylor, Jr.
EVP/Chief Financial Officer

Peter G. Williston
Chief Executive Officer

ADVISORY BOARD MEMBERS

ALEXANDRIA / LIBERTY / SMITHVILLE

Matt Boss
Rhonda Caplinger
Sean Driver
Mike Eaton
Rebecca Hendrixson
Shycottia Orrand
Monica Reynolds
Josh Tramel
C.D. Webb

CARTHAGE / GORDONSVILLE

Joe Epps
Kenneth Frye
Jason Hall
Chris McCall
Pat Nixon
Diane Skelton
Tom White
Bryan Wright
Kevin Young

GAINESBORO / CELINA

Mike Bailey
Jay Cassetty
Wes Cassetty
Richard Chaffin
Jeff Collier
Kevin Donaldson
Jerry Driver
Donnie Elkins
Joe Halfacre
Jeanette Hansel
Linda Key
James Robert Montgomery
Allen West
Russell West

LEBANON

Chris Crowell
Ron Harrison
John Henderick
Kristy Ingram
Brody Kane
Jatinda Kumar
Rodger Mitchell
David Penuel
Kenny Sallis
Mark Vastola

LIVINGSTON / COOKEVILLE

David Buckner
Wes Burnett
Cigi England
Tony Horn
Suzann Howard
Mickey Ledbetter
James Massengille
Clint Melton
Michael Melton
Crystal Odom
Buck Parsons
James Scarlett
Ryan Smith
Ray Wear
Konstantin Yepifantsev

MANCHESTER / SHELBYVILLE / TULLAHOMA / WINCHESTER

Tommy Anderton
Russ Barrett
Jeremy Bell
Mary Beard
Andy Bobo
Rob Brainard
Max Christopher
Tom Copeland
Chad Grimes
Tommy Hodges
Dave Johnson
John McCord
Joe Orr
Stephen Philpot
Ben Smith
David Smith
Donna Stone

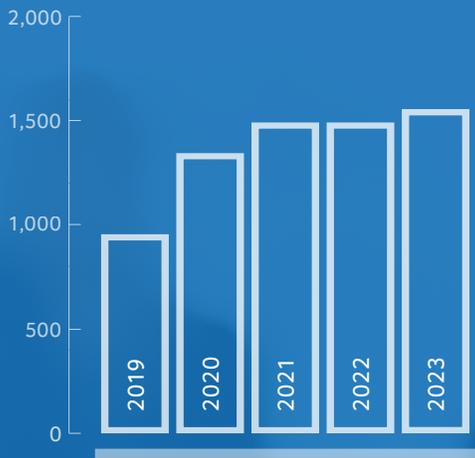
SUMMARY FINANCIAL RESULTS

— HISTORICAL PERFORMANCE —

2023 TOTAL ASSETS

(MILLIONS)

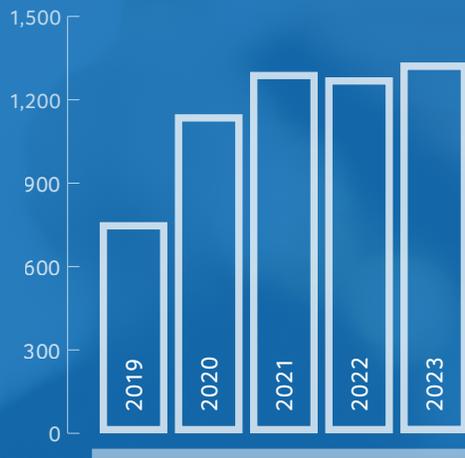
\$1,552.0



2023 TOTAL DEPOSITS

(MILLIONS)

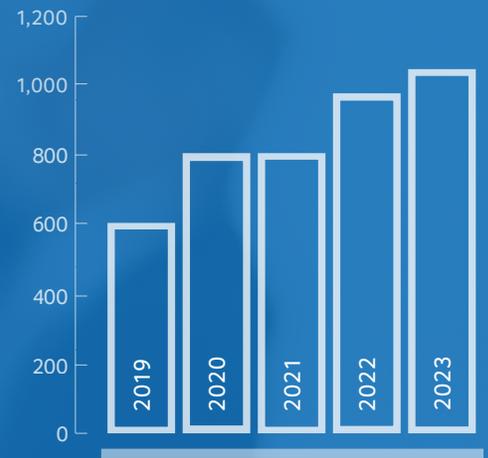
\$1,334.0



2023 GROSS LOANS

(MILLIONS)

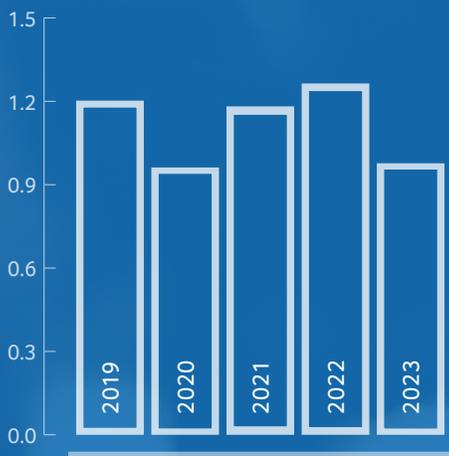
\$1,043.0



2023 RETURN ON AVERAGE ASSETS

(PERCENTAGE)

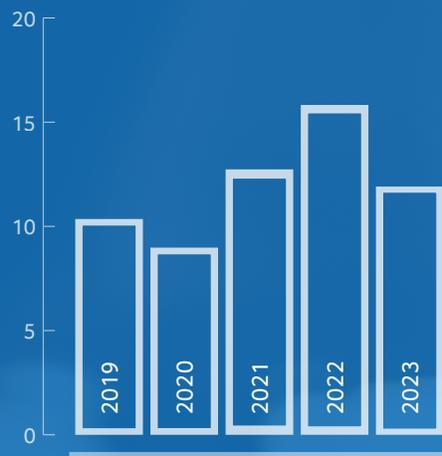
0.97%



2023 RETURN ON AVERAGE EQUITY

(PERCENTAGE)

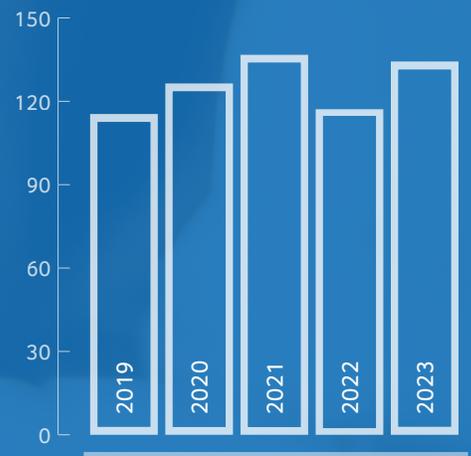
11.90%



2023 STOCKHOLDERS' EQUITY

(MILLIONS)

\$134.2



CITIZENS BANCORP INVESTMENT INC.

(UNAUDITED)

BALANCE SHEET

ASSETS	12/31/2023	12/31/2022
Net Loans and Leases – Held for Investments	\$ 1,031,450	\$ 963,592
Securities	377,004	404,413
Interest-bearing Deposits in Financial Institutions	16,918	2,337
Restricted Equity Securities	4,441	4,271
Federal Funds Sold	1,000	1,000
Loans Held for Sale	142	220
Total Earning Assets	\$ 1,430,955	\$ 1,375,833
Cash and Noninterest-bearing Due from Banks	\$ 25,681	\$ 22,819
Premises and Fixed Assets	19,926	20,098
Other Real Estate	-	-
Intangible Assets	22,085	22,444
Other Assets	53,004	45,754
Total Assets	\$ 1,551,651	\$ 1,486,948
Demand Deposits – Non-interest-bearing	\$ 245,143	\$ 263,864
Demand Deposits – Interest-bearing	285,702	351,800
Money Market and Savings Accounts	226,075	249,780
Certificates of Deposits and IRAs	576,970	416,021
Total Deposits	\$ 1,333,890	\$ 1,281,465
Federal Funds Purchased	\$ -	\$ -
Notes Payable	9,262	12,170
Federal Home Loan Bank Advances	65,072	70,196
Other Liabilities	9,197	6,160
Total Liabilities	\$ 1,417,421	\$ 1,369,991
Common Stock, Surplus and Retained Earnings	\$ 160,585	\$ 149,746
Accumulated Other Comprehensive Income	(26,355)	(32,789)
Total Capital	\$ 134,230	\$ 116,957
TOTAL LIABILITIES AND CAPITAL	\$ 1,551,651	\$ 1,486,948

CITIZENS BANCORP INVESTMENT INC.

INCOME STATEMENT

(UNAUDITED)

	12/31/2023	12/31/2022
Interest Income – Loans	\$ 58,234	\$ 44,778
Interest Income – Securities	9,187	8,197
Interest Income – Federal Funds Sold and Other	1,068	683
Total Interest Income	\$ 68,489	\$ 53,658
Interest Expense – Interest-bearing Demand Deposits	\$ 1,489	\$ 801
Interest Expense – Money Market Accounts and Savings	1,722	482
Interest Expense – Certificate of Deposits and IRAs	17,345	3,353
Interest Expense – Notes Payable and Other Borrowings	3,421	1,368
Total Interest Expense	\$ 23,977	\$ 6,004
Net Interest Income	\$ 44,512	\$ 47,654
Provision for Loan Losses	\$ 972	\$ 1,314
Noninterest Income	\$ 7,641	\$ 8,924
Security Gains or (Losses)	-	-
Noninterest Expense	(33,320)	(32,153)
Net Income Before Taxes	\$ 17,861	\$ 23,111
Unrealized Holding Loss on Marketable Equity Securities	(3)	(23)
Income Taxes	3,178	4,447
Net Income After Taxes	\$ 14,680	\$ 18,641
ROA	0.97%	1.26%
ROE	11.90%	15.82%
Earnings Per Share <i>(fully diluted)</i>	\$ 2.45	\$ 3.11

The audited financial statements will be available after the 2024 shareholders meeting on April 24, 2024, by contacting Citizens Bank at 866-666-2195, or by accessing the Investor Relations tab at www.citizens-bank.org.



CITIZENS BANK

LAFAYETTE MAIN OFFICE

400 Highway 52 West
Lafayette, TN 37083
(615) 666-2195

LAFAYETTE PUBLIC SQUARE BRANCH

201 West Locust Street
Lafayette, TN 37083
(615) 666-2196

LAFAYETTE SCOTTSVILLE RD. BRANCH

1108 Scottsville Road
Lafayette, TN 37083
(615) 666-4677

RED BOILING SPRINGS BRANCH

32 Carthage Road
Red Boiling Springs, TN 37150
(615) 699-2205

WESTMORELAND BRANCH

990 New Highway 52
Westmoreland, TN 37186
(615) 644-2119

GAINESBORO BRANCH

116 South Grundy Quarles Highway
Gainesboro, TN 38562
(931) 268-2141



BANK OF CELINA

CELINA BRANCH

101 East Lake Avenue
Celina, TN 38551
(931) 243-3161



SMITH COUNTY BANK

CARTHAGE BRANCH

50 North Main Street
Carthage, TN 37030
(615) 735-2800

GORDONSVILLE BRANCH

411 Gordonsville Highway
Gordonsville, TN 38563
(615) 683-1919



LIBERTY STATE BANK

LIBERTY BRANCH

311 East Main Street
Liberty, TN 37095
(615) 536-5101

ALEXANDRIA BRANCH

100 North Public Square
Alexandria, TN 37012
(615) 529-2375

SMITHVILLE BRANCH

735 South Congress Boulevard
Smithville, TN 37166
(615) 597-2265

LEBANON N.

CUMBERLAND BRANCH
214 North Cumberland Street
Lebanon, TN 37087
(615) 449-4441

LEBANON W. MAIN BRANCH

1035 West Main Street
Lebanon, TN 37087
(615) 444-4166



TRADERS BANK

TULLAHOMA MAIN OFFICE

120 North Jackson Street
Tullahoma, TN 37388
(931) 455-3426

TULLAHOMA BRANCH

412 West Lincoln Street
Tullahoma, TN 37388
(931) 455-2391

MANCHESTER BRANCH

1207 Hillsboro Boulevard
Manchester, TN 37355
(931) 728-1474

SHELBYVILLE BRANCH

1602 North Main Street
Shelbyville, TN 37160
(931) 680-3500

WINCHESTER BRANCH

2695 Decherd Boulevard
Winchester, TN 37398
(931) 967-3755



LIVINGSTON MAIN OFFICE

808 West Main Street
Livingston, TN 38570
(931) 823-2265

COOKEVILLE NEAL STREET BRANCH

1450 Neal Street
Cookeville, TN 38501
(931) 526-4800

COOKEVILLE WILLOW AVENUE BRANCH

123 North Willow Avenue
Cookeville, TN 38501
(931) 646-4950

CORPORATE INFORMATION

Stock Listing

OTCQX
Ticker Symbol: CBTN

Stock Registrar & Transfer Agent

Broadridge Corporate Issuer Solutions
1155 Long Island Avenue
Edgewood, NY 11717-8309

Outside Counsel

K&L Gates LLP
501 Commerce Street, Suite 1500
Nashville, TN 37203

External Auditors

Maggart & Associates, CPAs
1201 Demonbreun Street, Suite 1220
Nashville, TN 37203-3140

