Civista Bancshares Inc.

First Quarter 2025 Earnings Call

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PRESENTATION

Operator

Before we begin, I would like to remind you that this conference call may contain forward-looking statements with respect to the future performance and financial condition of Civista Bancshares Inc., that involve risk and uncertainties. Various factors could cause actual results to be materially different from any future results expressed or implied by such forward-looking statements. These factors are discussed in the Company's SEC filings, which are available on the Company's website. The Company disclaims any obligation to update any forward-looking statement made during the call.

Additionally, Management may refer to the non-GAAP measures, which are intended to supplement but not substitute the most directly comparable GAAP measures. The press release also available on the Company's website contains the financial and other quantitative information to be discussed today, as well as the reconciliation of the GAAP to non-GAAP measures.

This call will be recorded and made available on Civista Bancshares' website at www.civb.com. At the conclusion of Mr. Schafer's remarks, he and the Civista Management team will take any questions you may have. Now I will turn the call over to Mr. Schafer.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Thank you.

Good afternoon, this is Dennis Schafer, President and CEO of Civista Bancshares, and I would like to thank you for joining us for our first quarter 2025 earnings call.

I am joined today by Rich Dutton, SVP of the Company and Chief Operating Officer of the Bank; Ian Whinnem, SVP of the Company and Chief Financial Officer of the Bank; and other members of our executive team. Chuck Parcher, EVP of the Company and Chief Lending Officer of the Bank, is on vacation.

This morning, we reported net income for the first quarter of $10.2 million or $0.66 per diluted share, which represents a $3.8 million or 60 percent increase over our first quarter of 2024 and a $275,000 increase over our linked quarter. This also represents an increase in pre-provision net revenue of $4.3 million or 47 percent over our first quarter in 2024, and a $1.4 million or 11.9 percent increase over our linked quarter.

Core deposit funding continues to be a priority, and we were pleased that our deposit funding, excluding brokered deposits, grew organically by over $67 million during the quarter, which allowed us to continue reducing our reliance on brokered funding. We believe this shift toward more relationship funding contributes to the overall value of our core deposit franchise. I continue to be encouraged by our ability to remain disciplined in pricing both our deposits and loans through this interest rate cycle.

Net interest income for the quarter was $32.8 million, which represents an increase of $1.4 million or 4.5 percent compared to our linked quarter. The increase was attributable to our earning asset yield increasing 6 basis points to 5.71 percent, and our overall funding costs decreasing by 11 basis points to 2.31 percent. Our decline in funding costs was largely attributable to a $150 million in brokered CDs that matured in late December that I mentioned on our last call. They carried a rate of 5.08 percent, and we were able to replace and reduce them by laddering $125 million in brokered CDs over the subsequent twelve months at a blended rate of 4.37 percent, representing a savings of 71 basis points.

Similarly, we had $150 million in brokered CDs that matured in March that carried a rate of 5.18 percent. We were also able to replace and reduce these deposits with $125 million of CDs laddered over the next twelve months at a blended rate of 4.26 percent, representing a savings of 92 basis points. While this had little impact on our first quarter results, we anticipate that it will further reduce our overall funding costs and lead to further margin expansion.

We have solid loan demand in each of our markets. However, we continue to be disciplined in our approach to loan and lease pricing, which has had the intended impact of muting growth. Our loan and lease portfolio grew at an annualized rate of 2.8 percent during the first quarter. We anticipate

continuing to hold loan and lease rates higher as we work to maintain our loan to deposit ratio, ideally within a range of 90 percent to 95 percent.

The result of our continued discipline in managing both our loan and lease pricing, as well as our funding costs, was the continued expansion of our margin, which grew by 15 basis points during the quarter to 3.51 percent. Our ROA for the quarter was 1 percent, continuing our string of improving our ROA in each of the past four quarters. Our ROE for the quarter was 10.39 percent.

Earlier this month, we announced the renewal of our stock repurchase program. The program authorizes Management to repurchase up to $13.5 million in outstanding shares and expires on April 15, 2026. While we have not been active in repurchasing shares and remain committed to increasing our tangible common equity, we feel it is important to have the ability to repurchase shares should it become prudent to do so.

Last week we also announced a quarterly dividend of $0.17 per share. Based on the quarter end market close of $19.54, this represents an annualized yield of 3.48 percent.

During the quarter, our non-interest expense was $27.1 million, which represents a $1.2 million or 4.1 percent decline from our linked quarter and is the result of improvement in nearly every non-interest expense category. We continue to focus on controlling those expenses that are within our control. The largest decline was in compensation-related expenses and was primarily due to five fewer FTEs, a reduction in benefit costs, and an increase in the amount of compensation deferred related to loan originations.

Compared to the prior year's first quarter, non-interest expense declined $315,000 or 1.1 percent and while the improvement did not include as many categories, the results had a similar impact. The largest decline in comparison to the first quarter of the prior year was also attributable to 19 fewer FTEs, a reduction in benefit costs, and an increase in the amount of compensation deferred relating to loan originations. This reduction in expense was partially offset by an increase in professional services related to projects and the conversion of our lease accounting and servicing system.

Non-interest income declined $1.2 million or 12.8 percent in comparison to the linked quarter, and $396,000 or 4.8 percent in comparison to the first quarter of the prior year. The primary drivers of the decrease from our linked quarter were a $655,000 decline in gains on the sale of loans, which are made up of mortgages and loans and leases originated by our leasing division, due to typically less mortgage and leasing originations during the first quarter, coupled with the impact of higher interest rates. A $314,000 decline in ATM and interchange revenue, due to the shift from pre-holiday to post-holiday debit card use, a $124,000 decline in wealth management fees, due to market declines during the quarter as assets under management decreased, and a $384,000 decline in BOLI revenue as we received $314,000 in proceeds from a death benefit in the prior quarter.

These declines were offset by an increase of $616,000 in lease revenue and residual income generated by our leasing division. The primary drivers for the decline from the prior year's first quarter were attributable to a $396,000 decline in gains on the sale of loans due to the same seasonality and high interest rates previously mentioned and lower lease rate-related fees, which are included in other income. The combination of increased revenue and disciplined expense control resulted in an efficiency ratio of 64.9 percent for the quarter, compared to 68.3 percent for the linked quarter and 73.8 percent for the prior year's first quarter.

Turning our focus to the balance sheet. For the quarter, total loans and leases grew by $22.8 million. This represents an annualized growth rate of 2.8 percent. While we experienced increases in commercial and ag, both owner-occupied and non-owner-occupied commercial real estate and residential real estate, we saw small declines in all other loan categories.

As we shared on previous calls, we continue to price commercial and ag loan opportunities aggressively and are being more conservative in how we price commercial real estate opportunities as we try to manage the overall mix in our loan portfolio. The loans we originate for our portfolio are virtually all adjustable rate loans, and our leases all have maturities of five years or less.

New and renewed commercial loans were originated at an average rate of 7.16 percent during the quarter, which is similar to our origination rate during the linked quarter. Loans secured by office

buildings make up 5.25 percent of our total loan portfolio. As we have stated previously, these loans are not secured by high-rise metro office buildings; rather they are predominantly secured by single- or two-story offices located outside of central business districts.

Along with year-to-date loan production, our pipelines are solid and our undrawn construction lines were $226 million at March 31. We continue to see loan opportunities in each of our markets, and we anticipate loan growth to be in the mid single-digit range for the balance of 2025. However, loan demand may be impacted the longer the economic uncertainty persists.

On the funding side, total deposits increased $27 million or an annualized growth rate of 3.2 percent. However, if we back out brokered deposits, our deposits balance grew by $67.1 million or 2.5 percent for the quarter, which we believe is the result of our focus on deepening customer relationships. We did see some migration from non-interest-bearing accounts into higher-rate deposit accounts during the quarter, but our cost of deposits, excluding broker deposits, declined by 12 basis points from the linked quarter.

Our deposit base remains fairly granular, with our average deposit account, excluding CDs, approximately $28,000. With respect to FDIC-insured deposits, excluding Civista's own deposit accounts, 13.1 percent or $419.8 million of our deposits were in excess of the FDIC limits at quarter end. Our cash and unpledged securities at March 31 were $523.7 million, which more than covers these uninsured deposits. Other than $568 million of public funds, which are primarily operating accounts with the various municipalities across our footprint, we had no deposit concentration at March 31.

At quarter end, our loan to deposit ratio was 95.8 percent. Our commercial bankers, treasury management officers, private bankers, and retail staff continue to have success gathering additional deposits from our commercial, small business, and retail customers, as evidenced by our organic deposit growth. We believe our low-cost deposit franchise is one of Civista's most valuable characteristics, contributing significantly to our solid net interest margin and overall profitability.

At March 31, our security portfolio was $648.5 million, which represents 15.6 percent of our balance sheet. The interest rate environment continues to put pressure on bond portfolios. At March 31,

all of our securities were classified as available for sale and had $60 million of unrealized losses associated with that. This represented a decrease in unrealized losses of $2.5 million since December 31, 2024.

We ended the quarter with our tier one leverage ratio at 8.66 percent, which is deemed well capitalized for regulatory purposes. Our tangible common equity ratio was 6.59 percent at March 31, an increase from 6.43 percent at December 31, 2024.

Civista's earnings continue to create capital, and our overall goal remains to grow our capital to a level adequate to support organic growth. We did increase our dividend in the prior quarter, and although we have not purchased any shares during the past five quarters, we continue to believe our stock is a value.

While our capital levels remain strong, we recognize our tangible common equity ratio still streams low. Our previous guidance remains that we would like to rebuild our TCE ratio back to between 7.0 percent and 7.5 percent. To that end, we will continue to focus on earnings, and we'll balance the payment of dividends, and any stock repurchases with building capital to support our growth.

During the quarter, we made a $1.6 million provision. We had charge-offs of $976,000, of which $800,000 was related to one of the non-performing credits we discussed in the fourth quarter. That loan is expected to pay off today. The balance of the provision was attributable to loan growth and the impact historically low prepayments in our loan portfolio have had on our CECL model. Our ratio of the allowance for credit losses to total loans is 1.3 percent at March 31, 2025, which is consistent with 1.29 percent at December 31, 2024.

Other than a general concern over the impact of macroeconomic uncertainties, the economy across Ohio and Southeastern Indiana is showing no signs of deterioration, and our credit quality remains strong.

In summary, we are very pleased with the continued expansion of our net interest margin and our ability to control non-interest expense during the quarter. We are pleased with our team's success in

attracting more lower-cost funding and anticipate low to mid single-digit loan growth for the balance of 2025 as we temper loan growth to match our ability to fund that growth at a reasonable cost.

Overall, 2025 is off to a solid start, and our focus continues to be on creating shareholder value. Thank you for your attention this afternoon and your investment. Now we will be happy to address any questions that you may have.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now conduct a question and answer session. If you have a question, please press star key followed by one on your touch tone phone. You will hear a one tone prompt acknowledging your request. Your request will be polled in the order they are received. If you would like to decline from the polling process, please press the pound key. Please ensure you lift the handset, if you are using a speaker phone, before pressing any keys. One moment for your questions please.

Our first question comes from the line of Justin Crowley from Piper Sandler. Your line is open.

Justin Crowley — Analyst, Piper Sandler

Hey, good afternoon, guys.

Multiple Speakers

Hi Justin.

Justin Crowley — Analyst, Piper Sandler

Just wanted to start on some of the margin inputs. Obviously, a lot of success in moving core deposit costs lower in the quarter with some of that brokered repricing. I guess outside of the brokered

you'd mentioned, repricing in the quarter down to the 4.2 percent to 4.3 percent range, how much opportunity is there left in the back book to see funding move lower? Has that largely run through at this point? Then how does that counteract against how aggressive you need to be on incremental funding?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

I think there's still opportunity there, Justin. On the deposit book, we do anticipate maybe four to five basis points again this coming quarter of margin expansion as we pretty much have been able to on the higher interest rate stuff that we just organically had other than the brokered, we have been pretty much, that's almost been as Fed has cut rate we've cut immediately too, almost on a 100 percent beta on that stuff.

We also have opportunity on the loan side. There's $110 million that we'll reprice over the next two quarters. Those rates, we should pick up a couple hundred basis points as those loans reprice, and then new loan yields are still going on, as I said in my call, in the 715, 716, 725 range. We think there's opportunity there. We think there's opportunity to continue to expand the margin here in the near term over the next quarter or two.

Justin Crowley — Analyst, Piper Sandler

Okay. You mentioned that four to five basis points of perhaps NIM pickup in the second quarter. You think that type of acceleration could continue through the balance of the year, at least for the next couple of quarters? Then does it maybe stabilize, just to throw a number out there, that 360 level? How are you thinking about that?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

It does start to stabilize as we get deeper into the year. I think third quarter, we have a little calculator that we try to run different scenarios on. I think we're anticipating maybe four to five basis

points in the second quarter and two to three basis points in the third quarter, right now. That's if rates stay fairly similar to where they're at today.

Justin Crowley — Analyst, Piper Sandler

Okay. How sensitive would that be to potential cuts out of the Fed?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

That models in—we can model in cuts. I guess we've modeled in. Ian, do want to speak to that, or?

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Justin, this is Ian Whinnem. We factored in a cut in June, another one in September. The numbers that Dennis referenced include those. It's in that range of about four to five basis points second quarter, an additional two to three basis points of expansion in the third quarter.

Justin Crowley — Analyst, Piper Sandler

Okay. That's super helpful. I appreciate that. Then just moving over to expenses. I believe you had talked about some elevated spend last quarter, tied to some staff turnover and then the leasing conversion project you had mentioned. Did a lot of that or did most of that normalize back down in the first quarter? If so, how should we think about further investment into areas like digital, potentially offsetting the decline in the base that you saw this quarter?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

The professional fees did not, they'll go away going into the second quarter, some of them. But as we alluded to, we do—are investing back into a couple—some technology things and other investments, and we generally sometimes use consultants for those projects. Ian or Rich, you want to touch more on the expense side?

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Happy to. This is Ian. From where we were in Q4 in the fourth quarter, we had some adjustments within accruals, both incentive accrual as well as just other accruals that related to FDIC expense, that made Q4 a little bit higher than normal. Q1, we started to normalize. We still have some seasonal or one-time tech expenses or professional fees, as well as items related to annual audits and annual meeting expenses.

We expect the second quarter to come in around the same level as the first quarter. That'll offset the reduction in professional fees that Dennis just mentioned, but also include our annual merit increases that we give to our employees. That'll keep us about flat from where we are now, maybe up a little bit. Then in the third and fourth quarter, we'll have some of that additional expense coming in for the reinvestment into the Company, both in software expenses, professional fees, and some marketing expense, as we start to do the digital online account opening.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Justin, just to get some colour around some of the expense reductions that we had, they were attributable to the elimination of our after-hour call center and our call center. We saved some costs there that we were spending for the after-hour stuff, and some employee costs. We also closed a branch in the fourth quarter. We really saw that impact of some FTE saves there. We renegotiated our insurance and really kept the same level of coverage and picked up $160,000 with something like that. We did a record purge and eliminated some accounts that we were paying for on our Jack Henry system.

That's where all that expense reduction, a lot of it came from in the first quarter. We're going to continue to look for those things. The team has done a really good job of identifying things. We've identified a few more things, but also, we need to do that because we're investing back into the Company.

Justin Crowley — Analyst, Piper Sandler

Okay. Then, I guess just from a budgeting standpoint, just putting that all together, is there a scenario where you're able to keep costs for the full year flat, just for the full year when I compare it to 2024? Is that within the realm of possibility? If I think about maybe stable expenses next quarter and then maybe a tick higher back closer to, call it, $28 million a quarter through the back half, is that realistic?

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

It is, yes. We expect us to be less than $28 million in the second half per quarter.

Justin Crowley — Analyst, Piper Sandler

Okay, perfect.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Although merit increases usually happen in the second quarter, so, but we got some things that we think help offset that as well.

Justin Crowley — Analyst, Piper Sandler

Okay great. I'll …

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

(Multiple speakers) We are making our focus on revenue-generating investments.

Justin Crowley — Analyst, Piper Sandler

Okay. I appreciate the colour there. I will step back. Thanks so much, guys.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Thanks Justin.

Operator

Our next question comes from the line of Brendan Nosal from Hovde Group. Your line is open.

Brendan Nosal — Analyst, Hovde Group

Hey, good afternoon, folks. Hope you're doing well.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Hey Brendan, how are you?

Brendan Nosal — Analyst, Hovde Group

Good, good. Thanks for all the detail you just offered on margin and expenses; that's super helpful. Maybe turning to the fee base. Seemed like it was a bit lighter than I was thinking for the quarter, and down a bit year over year. Can you just walk through the outlook for the various line items and wrap it into an overall expectation for fee income in the near term? Thank you.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

We do think there'll be a bounce back here coming in the second quarter. Mortgage is usually light for us in that first quarter. It was a little bit lighter than the first quarter a year ago, but it wasn't way off, and we do expect that to pick up. Pipelines appear to be pretty good. We do expect that to pick up some. Then the leasing has been a little choppy, trying to get a handle on that, but we do expect that that was a little bit lighter than we also anticipated, and we do expect that volume to pick back up as we go into the next—as we're into this second quarter.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

This is Ian. Just adding to that, on top of that would be the wealth management fees that are still behaving as we would expect, except the AUMs is dropping because of the market volatility.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Right.

Brendan Nosal — Analyst, Hovde Group

Yes, yes, of course. That makes sense. Okay, excellent. Maybe sticking to the topic of fees, just more of a modeling question here. Do you folks happen to have the gain on sales split between mortgage and CLF for the quarter, both in terms of volumes and fee revenue?

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Yes, I have that in front of me. Of the $600,000 gain on sale in the first quarter, about 45 percent of that was from the leasing and finance business, 55 percent for mortgage. That works out to be about $270,000 for CLF and $330,000 for mortgage. In terms of the volume that was sold on mortgages, about $19 million, and on the volume that was sold for the leasing, about $7.6 million. Mortgage is comparable to the first quarter of 2024, which was $20 million at the time, $19 million for this quarter, and the leasing was $7.6 million, a little bit less than this time last year, which was $12.6 million in the first quarter of last year. What we did see was the gain on sale on the mortgage side softening. We saw an average of 1.75 percent of the gain on sale in the first quarter of this year, compared to 2.10 percent in the first quarter of last year.

Brendan Nosal — Analyst, Hovde Group

Okay, that's helpful colour. I appreciate it. Thanks for taking the questions.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Thank you.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Thanks Brendan.

Operator

Our next question comes from the line of Terry McEvoy from Stephens. Your line is open.

Terry McEvoy — Analyst, Stephens

Hi, good afternoon, guys.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Hi Terry.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Hi.

Terry McEvoy — Analyst, Stephens

The increase in the loan yield, up nine basis points, really nice to see. I'm just wondering, were there any interest recoveries or anything contributing to that, or was that just new loans repricing higher and then fixed rates doing the same thing?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

There was nothing unusual in there. It's just new loans repricing higher. Our team's really staying disciplined in their pricing. They've really done a nice job there. We think we'll continue to get some benefit there. As I mentioned, $110 million of loans repricing over the next two quarters, and then new stuff going on, those rates, we think there's room for improvement there.

Terry McEvoy — Analyst, Stephens

No. Real nice to see. Then, last quarter, the two loans, the multifamily loan under contract and the C&I loan that was going to be back in compliance. Dennis, you mentioned one of them. Which one of the two loans was going to be resolved tomorrow, and then what's the status on the other one?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

The multifamily should be resolved today, today or tomorrow, we should say. We're pretty confident that's going to go through. We had thought it might be cleared up at the end of the first quarter, but the buyer wanted to extend that. It's a participation loan. The banks got together and said, we'll extend it, but you got to put a significant deposit down to do that. They went hard with a significant amount of money to be able to extend that. We're real confident on that. I was hoping to have the answer that it had paid off before this call.

The other loan is more of that, as I mentioned on the last call, it's more of a community loan. We're not at all concerned with it; it's just taking a little bit of time to work through some of their issues. The project was bonded, so we're waiting to hear from the bonding company. Hopefully will just continue to work, but we'll have greater clarity on that hopefully in the next three or four weeks.

Terry McEvoy — Analyst, Stephens

Then maybe one more, Dennis. What are you hearing from commercial borrowers, or real estate developers? Any sense of cautiousness in putting things on pause, given the tariffs and the trade situation?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

We've been reaching out to different customers, and it's really been very enlightening. There are some businesses that view it as a positive, and others view it as a negative. I would say the sentiment has been a wait and see type of attitude for most of our borrowers, at least as to what the long-term

effect will be. I do think it will slow some of the CapEx spending from some of our business borrowers here in the near term this quarter, maybe next quarter, as they just wait to see what happens.

We think it impacts maybe people that are selling the finished product, more so than those that are selling a piece or a part. Those customers seem like, as we've talked to, they're able to pass on that cost. The person selling that end piece or that finished product to the end user, they seemed a little bit more concerned whether they're going to be able to pass that on or not. But overall, I just think it's more of a wait and see type approach, and I do think it'll slow some CapEx spending.

Terry McEvoy — Analyst, Stephens

Great. Thanks for your insight.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Thanks Terry.

Operator

Our next question comes from the line of Manuel Navas from D. A. Davidson. Your line is open.

Manuel Navas — Analyst, D.A. Davidson

Hey, I appreciate the colour on sentiment. Is that evident in current pipelines? You said there's a little bit of CapEx spending slowing a bit; is that already showing up near term on the second quarter? Then, can you talk about the range of growth? What could drive to the high end of your guide and what could drive to the low end of your guide?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

On the loan book, are you talking, Manuel?

Manuel Navas — Analyst, D.A. Davidson

Yes, yes, loan book.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Okay. Okay. I don't think it's in the field. The current pipeline, I don't think it has much impact—that $231 million, I think those people are far enough along and they're not stopping all of a sudden. I don't think it has. But I think, from this point on, may slow a little bit of that CapEx spending.

As far as what—our economies are pretty good here in Ohio and Southeastern Indiana. There's just a lot of activity still going on. Most of Central Ohio and then the Cincinnati market and stuff, they still are getting a lot of technology-driven companies. Microsoft has announced a significant investment into Central Ohio, Google and Amazon, they're all building facilities down there, and then you got Anduril, the defense contractor, and stuff. As those things take hold, I think it's going to continue to fuel the economy, the housing demand, you're going to see a pickup. There's a lot more that we see builders building products and stuff. I think things like that will continue to fuel things. It benefits really the whole state, because, as you have companies like Anduril or Intel or something, they've got suppliers, and those suppliers tend to locate closer to where they're building at, and that helps. It may not be in that exact market, but it could be three or four counties away, which benefits the way our footprint covers really the whole state and Southeastern Indiana. I think those things will help us as we move forward.

In our Northeast Ohio market, that's been a really good market for us. Sherwin Williams just completed their downtown building, their new headquarters building where they're moving into. They'll add a few jobs to that. It's things like that, I think, that this will continue to help our overall economy here for the short term.

Richard J. Dutton — Senior Vice President, Chief Operating Officer, Civista Bancshares Inc.

Manuel, this is Rich. I know Dennis talked about last call and I think on this call too, a governor for us, the thing that gauges whether it be more loans or less loans is really our ability to fund those loans and whether or not we can attract the low-cost deposits. We've had good success, and if we continue to have that success, and if we're able to implement the digital or online account opening

successfully like we intend to in the back half of the year, that really would, I think, allow us to hit the upper levels of the projections that I've shared.

Manuel Navas — Analyst, D.A. Davidson

That's helpful. In your …

Richard J. Dutton — Senior Vice President, Chief Operating Officer, Civista Bancshares Inc.

The note you should write down is it only gets better. We have had three consecutive quarters of pretty good deposit growth. Even though, if you look at just the deposit growth we had this quarter, remember that we reduced those brokered deposits by $50 million or $60 million.

Manuel Navas — Analyst, D.A. Davidson

What is contemplated from the lease business in your growth guide and the fee guide? I know there's a little bit of a bounce back in fees. This is also a seasonally slower leasing quarter. Just talk through expectations for the year from leasing.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Leasing, I think we're projecting about $115 million of total originations, and I think through the first quarter that was the slowest quarter for them. I think—what'd we do in leasing revenue production? Sixteen million, $17 million, or $20 million? We don't have that number, but that would have been their slowest quarter. We do anticipate that to pick up as the year goes on. We don't have exact numbers, if that gives you any feel for that.

Manuel Navas — Analyst, D.A. Davidson

Okay, that's helpful …

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

We plan to continue to sell about half.

Manuel Navas — Analyst, D.A. Davidson

Sell about half. Okay. That was the other piece. Okay. That's helpful. A lot of my other questions have been asked and answered, so I appreciate the commentary today.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Okay, thank you.

Operator

Again, if you would like to ask a question, please press star followed by one.

Our next question comes from the line of Emily Lee from KBW. Your line is open.

Emily Lee — Analyst, KBW

Hi everyone. This is Emily stepping in for Tim Switzer. Thank you for taking my question.

Multiple Speakers

Hi Emily. How are you?

Emily Lee — Analyst, KBW

I wanted to ask about deposit repricing. What are your expectations for deposit repricing if we were to get a scenario with, say, no rate cuts? I know you mentioned that you factored in two rate cuts into your guidance, so just curious on your thoughts there.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

This is Ian, Emily. We have, in terms of retail CDs that are coming up for maturity, and we're probably somewhere in the neighborhood of about $100 million to $140 million a quarter that are coming up for maturing. We should be picking up maybe 10 to 15 basis points on each of those as they come through renewals. We have put our highest rate on the shorter term, so our highest rate right now is on a seven-month CD. We plan on keeping it that way, just with all the uncertainty and volatility. That will keep us protected from that standpoint. Also, with our online account opening software solution that we'll be launching in July, we expect our deposit cost would go up slightly, but our total cost of funding should decline.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

We'll raise our own deposits organically, through probably some CDs and stuff, and pay off that more expensive borrowed money or brokered deposits.

Emily Lee — Analyst, KBW

Okay, great, thank you. Given that credit metrics improved a bit this quarter, can you give some details on your expectations for credit going forward, especially given the macro uncertainty?

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

We still feel good about our loan book. Delinquencies are actually down quarter over quarter, and they're still pretty close to historically low levels. There's always some one-offs and stuff. We've had some repricing of some of the— repriced higher, and that's caused some loans to be downgraded, because the rates are higher, and the cash flow doesn't quite meet our standards. But it's not significantly below thresholds.

In the same regard, although we've moved some credits in, we're moving credits out. We feel good where the credit is. Our allowance is really healthy. We have 1.30 percent in the allowance. We could charge off; we basically could we have 11 years of if we took our charge-offs that we've had, we got an 11-year loan on that, if we took out all—is that to criticize?

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

That's the net charge-offs.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

That's the net charge-offs.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Of the last twelve months. Yes.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

You take the net charge-offs over the last twelve months, if you took what those were, there's 11 years in that allowance.

Emily Lee — Analyst, KBW

That's great. Thanks so much.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Welcome.

Ian Whinnem — Senior Vice President, Chief Financial Officer, Civista Bancshares Inc.

Thank you.

Operator

There are no further questions at this time; Mr. Schaefer, please continue.

Dennis G. Shaffer — President, Chief Executive Officer, Civista Bancshares Inc.

Okay. Thank you everyone. I just want to recap in summary, just tell you how pleased I am with the quarter. I want to thank everyone for joining the call. Our quarter results were really attributable to the hard work that all of our team put in over the past several months and continues to put in.

While we're pleased with the results of the first quarter, we are confident in our strong core deposit franchise, and our proven disciplined approach to managing the Company really positions us well for future success.

I just thank you again for joining the call and look forward to talking to everyone in the next few months to share our second quarter results. Thank you for your time today.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect.