



## PUBLIC DISCLOSURE

July 25, 2016

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Community Federal National Association  
Charter Number 25088

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Altoona, WI 54720

Office of the Comptroller of the Currency

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Minneapolis, MN 55402-3393

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING .....</b>	<b>2</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>3</b>
<b>SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....</b>	<b>4</b>
<b>RATINGS .....</b>	<b>4</b>
<b>LOAN-TO-DEPOSIT RATIO .....</b>	<b>5</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>5</b>
<b>STATE RATING .....</b>	<b>7</b>
STATE OF WISCONSIN .....	7
<b>STATE RATING .....</b>	<b>13</b>
STATE OF MINNESOTA.....	13
<b>STATE RATING .....</b>	<b>19</b>
STATE OF MICHIGAN .....	19
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>APPENDIX B: SUMMARY OF STATE RATINGS.....</b>	<b>1</b>

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The primary factors supporting Citizens Community Federal's (CCF's) rating include:

- CCF's loan-to-deposit ratio is more than reasonable based on the institution's size, financial condition, and the Assessment Areas' (AA) credit needs;
- CCF's distribution of loans reflects reasonable penetration among borrowers of different income levels;
- CCF's distribution of loans reflects reasonable dispersion throughout census tracts (CTs) of different income levels; and
- CCF demonstrates adequate responsiveness to the community development needs in its AAs.

## **Scope of Examination**

We evaluated CCF's Community Reinvestment Act (CRA) performance using Intermediate Small Bank Examination Procedures. The procedures included Lending and Community Development Tests. The Lending Test evaluated CCF's record of meeting the credit needs of its AAs through its lending activities. The Community Development Test evaluated CCF's responsiveness to needs in its AAs through community development lending, qualified investments, and community development services.

CCF has nine AAs in the states of Wisconsin, Minnesota, and Michigan. Wisconsin includes five AAs, namely the Eau Claire Wisconsin Metropolitan Statistical Area (MSA) AA (Eau Claire MSA AA), the Appleton Wisconsin MSA AA (Appleton MSA AA), the Fond du Lac Wisconsin MSA AA (Fond du Lac MSA AA), the Oshkosh-Neenah Wisconsin MSA AA (Oshkosh MSA AA), and the Wisconsin Non-MSA AA (WI Non-MSA AA). The state of Minnesota includes the Minneapolis-St. Paul-Bloomington Minnesota-Wisconsin MSA AA (Minneapolis MSA AA), the Mankato-North Mankato MSA AA (Mankato MSA AA), and the Minnesota Non-MSA AA (MN Non-MSA AA). Michigan includes one AA which is the Warren-Troy-Farmington Hills Michigan Metropolitan Division (MD) AA (Warren MD AA). Each state and AA is explained further within the "State Rating" sections. The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude and low- or moderate-income CTs.

The Lending Test encompassed lending activities from January 1, 2014, through December 31, 2015 (the evaluation period). We determined CCF's primary loan

products for each AA by reviewing the number and dollar volume of loan originations and purchases during the evaluation period. CCF's primary loan product for all nine AAs is consumer loans. Consumer loans represented between 73 and 100 percent by number of loans originated or purchased during the evaluation period. We selected a sample of 20 loans originated or purchased during the evaluation period for each AA. Additional loans were selected as needed to have sufficient information to analyze borrower and geographic distributions within each AA.

The Community Development Test encompassed activity from July 1, 2012, through March 31, 2016 (the CD evaluation period). We reviewed all loans, investments, and services with a primary purpose of community development as presented by management. The activities that meet the definition of community development are included in this evaluation.

## Description of Institution

CCF is an interstate national bank headquartered in Altoona, Wisconsin. As of March 31, 2016, CCF had \$602 million in total assets. CCF is wholly owned by Citizens Community Bancorp, Inc., a publicly traded one-bank holding company in Eau Claire, Wisconsin. CCF converted from a federal thrift to a national bank on May 31, 2014. During the evaluation period, CCF operated 17 branches, with nine in Wisconsin, six in Minnesota, and two in Michigan. Of these 17 branches, seven are traditional brick and mortar branch locations and 10 are retail branches located at Wal-Mart Supercenters (Walmart). CCF offers cash-dispensing automatic teller machines (ATMs) at each branch location. CCF only operates one deposit-taking ATM. Please see the "Description of Institution's Operations" section under each state for more information about CCF's branches and ATMs in full-scope areas.

During the evaluation period, CCF closed seven branches including five Walmart locations and two brick and mortar branches. Five branches were located in the WI Non-MSA AA, one was located in the Eau Claire MSA AA, and one was located in the Minneapolis MSA AA. All branch closures during the evaluation period were located in middle- or upper-income CTs.

CCF is a full-service financial institution, offering traditional loan and deposit products and services to its commercial and retail customers. CCF offers first and second mortgage loans along with other types of loans such as home equity lines of credit, automobile loans, and other personal loans. These loans are made available to meet the credit needs in the bank's AAs.

As of March 31, 2016, CCF's gross loans and leases totaled \$467 million representing 78 percent of total assets. The loan portfolio is comprised of consumer loans (42 percent), residential real estate loans (43 percent), commercial loans (13 percent), and agriculture loans (2 percent). CCF's tier 1 capital as of this date totaled \$60 million.

CCF's business strategy is focused on consumer and residential real estate lending activities. CCF has a significant volume of consumer loans through 296 indirect lending relationships with dealers located in Wisconsin, Minnesota, and Michigan. There are no financial, legal, or other factors that impede the bank's ability to help meet the credit needs of its AAs.

CCF received a "Satisfactory" rating on its last CRA examination dated November 28, 2012.

## **Selection of Areas for Full-Scope Review**

In each state where CCF has a branch, at least one AA within that state was selected for full-scope review. We considered lending volume, deposit levels, and the number of branches within states with more than one AA to determine which AAs would receive full- or limited-scope reviews. Based on these factors, we selected the Eau Claire MSA AA in Wisconsin, the Minneapolis MSA AA in Minnesota, and the Warren MD AA in Michigan for full-scope reviews. Refer to the "Scope" section under each "State Rating" section for specific details regarding how the areas were selected.

## **Ratings**

CCF's overall rating is a blend of three state ratings in which CCF has branch offices. Examiners placed the most weight on the bank's performance in the state of Wisconsin because it represents 65 percent of the bank's total deposit base, 85 percent of reported loan originations and purchases during the evaluation period, and contains 60 percent of the bank's branches. The state of Minnesota followed Wisconsin with 25 percent of the total deposit base, 13 percent of reported loan volume, and 32 percent of the bank's branches. The least weight was placed on the state of Michigan.

The state ratings are based primarily on those areas that received full-scope reviews. Limited-scope reviews were considered to the extent that they were consistent or not consistent with the bank's performance in the full-scope AAs. Refer to the "Scope" section under each "State Rating" section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

CCF's performance under the Lending Test is satisfactory. While a majority of loans originated during the evaluation period were outside the bank's AAs, lending performance is satisfactory considering CCF's loan-to-deposit (LTD) ratio is more than reasonable, borrower distribution reflects reasonable penetration among borrowers of different income levels, and the geographic distribution of consumer loans reflect reasonable dispersion among geographies.

### Loan-to-Deposit Ratio

CCF's LTD ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the AAs. CCF's quarterly net LTD ratio averaged 98.91 percent over 15 quarters from September 30, 2012, through January 31, 2016. The ratio ranged from a quarterly low of 95.21 percent to a quarterly high of 104.15 percent during this time period. CCF's LTD ratio ranks first among five similarly-situated banks. Similarly-situated banks are those operating in CCF's AAs with similar asset sizes.

Loan-to-deposit Ratio Institution (Headquarters)	Assets as of 01/31/16 (\$000s)	Average LTD Ratio (%)
<b>Citizens Community Federal (Altoona, WI)</b>	<b>\$601,800</b>	<b>98.91%</b>
Charter Bank (Eau Claire, WI)	\$826,024	79.33%
First State Bank (Eastpointe, MI)	\$654,650	72.33%
Dairy State Bank (Rice Lake, WI)	\$489,889	45.56%
First Minnesota Bank (Minnetonka, MN)	\$410,326	42.23%

Source: Call Report data as of January 31, 2016

### Lending in Assessment Area

CCF originated a majority of its loans during the evaluation period to borrowers located outside of its designated AAs and does not meet the standard for satisfactory performance under this criterion. At the bank level, across all states and AAs, CCF originated or purchased only 50 percent of its loans by number and 40 percent by dollar amount inside its AAs. Lending in the AAs is low is due to the high level of indirect lending relationships with dealers outside CCF's AAs. For example, in the Fond du Lac AA, the bank originated 93 percent of its loans outside its AA due to indirect lending activity. Similarly, in the Minneapolis MSA and Warren MD, the bank originated 52 and 54 percent of its loans, respectively, outside of its AAs as the result of indirect lending.

Lending in the Citizen's Community Federal Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Loans	270	50.00%	270	50.00%	540	\$3,796	40.26%	\$5,634	59.74%	\$9,430

Source: Consumer loan samples

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's (bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## State Rating

### State of Wisconsin

#### **CRA Rating for Wisconsin: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors supporting the overall state rating for Wisconsin include:

- CCF's distribution of loans in the Wisconsin AAs exhibits excellent penetration among borrowers of different income levels.
- CCF's distribution of loans reflects reasonable dispersion throughout CTs of different income levels.
- CCF demonstrates adequate responsiveness to community development (CD) needs of the AA through CD investments and services in the Wisconsin AAs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN**

CCF has five AAs in Wisconsin. The Eau Claire MSA AA received a full-scope review. CCF's Eau Claire MSA AA consists of the entire MSA, which comprises Chippewa and Eau Claire Counties.

The Appleton MSA AA, Fond du Lac MSA AA, Oshkosh MSA AA, and WI Non-MSA AA received limited-scope reviews. The Appleton MSA AA is made up of the counties of Outagamie and Calumet, the Oshkosh MSA AA is made up of Winnebago County, the Fond du Lac MSA AA is made up of Fond du Lac County, and the WI Non-MSA AA is made up of Barron, Dunn, Pepin, Buffalo, Portage, and Wood Counties.

#### **Eau Claire MSA AA**

CCF operates three branches and three cash-dispensing ATMs within the AA, all located within middle-income CTs. CCF also operates a deposit-taking ATM within the AA, which is also located in a middle-income CT. Based on 2010 census information, the Eau Claire MSA AA consists of 31 CTs: five moderate-income (16 percent), 21 middle-income (68 percent), and five upper-income CTs (16 percent). There are no low-income CTs in the AA. According to the FDIC Deposit Market Share Report, as of June 30, 2015, the Eau Claire MSA AA operations accounted for 42 percent of the bank's total deposits.

Competition in the Eau Claire MSA AA is high with 22 other financial institutions operating in the AA. These institutions operate 57 branches throughout the AA. CCF ranks sixth among the 22 financial institutions in the AA with \$191 million in deposits, or 7.12 percent of the deposit market share. CCF's primary competitors are Charter Bank,

Northwestern Bank, BMO Harris Bank, US Bank, and Wells Fargo Bank which lead the market with a combined deposit market share of 55.70 percent.

The economy is diverse. Employment in the Eau Claire MSA AA is concentrated in the services (46 percent), retail trade (14 percent), and agriculture (9 percent) industries. The largest employers in the AA include Menard’s Inc., Mayo Clinic Health System, Gerber Products Co., Sacred Heart Hospital, and the University of Wisconsin – Eau Claire. The unemployment rate in the Eau Claire MSA AA is lower than state and national averages. As of June 30, 2016, the unemployment rate in the Eau Claire MSA AA was 4.1 percent, versus 4.2 percent for Wisconsin, and the national average of 4.9 percent.

We contacted a community representative within the Eau Claire MSA AA as part of this evaluation. The community contact indicated a need for financing assistance as part of downtown Eau Claire revitalization projects, housing for the aging population, condominium financing for the downtown area, and affordable housing for low- to moderate-income (LMI) residents.

<b>2010 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE EAU CLAIRE MSA AA</b>	
<b>Population</b>	
Individuals	161,151
Number of Families	40,225
Number of Households	63,463
% of Low-Income Families	19.00%
% of Moderate-Income Families	19.21%
% of Middle-Income Families	23.80%
% of Upper-Income Families	38.08%
<b>Geographies</b>	
Number of Census Tracts	31
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	16.13%
% Middle-Income Census Tracts	67.74%
% Upper-Income Census Tracts	16.63%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$62,064
2015 FFIEC-Adjusted MFI	\$65,900
<b>Economic Indicators</b>	
2015 Unemployment Rate	4.20%
2010 Median Housing Value	\$148,098
% of Households Below Poverty Level	13.28%

*Source: 2010 U.S. Census data with updated information when available*

## SCOPE OF EVALUATION IN WISCONSIN

The Wisconsin state rating is based primarily on results of the Eau Claire MSA AA as this AA received a full-scope review. We weighted the Eau Claire MSA AA most heavily as CCF originated 88 percent of loans made in Wisconsin during the evaluation period to this AA. The Appleton MSA AA, Oshkosh MSA AA, Fond du Lac MSA AA, and WI Non-MSA AA represented a combined 11 percent of the bank’s lending volume. The Eau Claire MSA AA also leads in deposit share when compared to the other AAs in Wisconsin, holding 65 percent of CCF’s deposits within the state of Wisconsin.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WISCONSIN

CCF’s CRA performance in Wisconsin is satisfactory for both the Lending and CD Test.

### LENDING TEST

The bank’s performance under the Lending Test in the state of Wisconsin is satisfactory based on reasonable penetration among borrowers of different income levels, and reasonable dispersion of consumer loans among low- and moderate-income (LMI) geographies.

#### Lending to Borrowers of Different Incomes

##### Eau Claire MSA AA

The borrower distribution of consumer loans in the Eau Claire MSA AA exhibits excellent penetration. The distribution of consumer loans to LMI borrowers significantly exceeds the percentage of LMI households living in the AA.

Borrower Distribution of Consumer Loans in Eau Claire MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	24.48%	30.00%	15.42%	23.33%	18.42%	35.00%	41.68%	11.67%

*Source: Loan Sample; 2010 US Census Data*

##### Other Wisconsin AAs

Based on limited-scope reviews, performance in the Appleton MSA AA, Fond du Lac MSA AA, and Oshkosh MSA AA, while weaker than the Eau Claire MSA AA, demonstrates reasonable penetration. Performance in WI Non-MSA AA is weaker than performance in the Eau Claire MSA AA as lending demonstrates poor penetration of consumer loans among borrowers of different incomes. Although the low-income borrower distribution is reasonable within the WI Non-MSA AA, the penetration of

consumer loans to moderate-income borrowers exhibits poor penetration relative to area demographics. When combining the LMI demographics for this AA, the results remain poor, even when consideration is given to those living below the poverty level in the moderate-income CT in the WI Non-MSA AA.

**Geographic Distribution of Loans**

**Eau Claire MSA AA**

CCF demonstrates reasonable dispersion of consumer loans in moderate-income geographies in comparison to the percentage of households within the Eau Claire MSA AA. There are no low-income CTs in the Eau Claire MSA AA. The following table compares the bank’s consumer lending activity by the CT income level to the local demographics.

<b>Geographic Distribution of Consumer Loans in Eau Claire MSA AA</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	0.00%	0.00%	13.15%	15.00%	72.21%	75.00%	14.63%	10.00%

*Source: Loan Sample; US Census Data*

Due to the significance of the Eau Claire MSA AA in the overall lending performance of the bank, we also performed a manual geographic distribution analysis using our loan sample to identify lending gaps, particularly in moderate-income areas. A manual analysis was required as the bank does not collect or report information on consumer lending. Our analysis did not identify any unexplained conspicuous gaps in lending within the Eau Claire MSA AA.

**Other Wisconsin AAs**

Based on limited-scope reviews, the Appleton MSA AA, Fond du Lac MSA AA, and the WI Non-MSA AA are consistent with the bank’s performance in the Eau Claire MSA AA. The performance in the Oshkosh MSA AA is stronger than the performance in the Eau Claire MSA AA. Although the bank’s branch in the Oshkosh MSA AA is located in an upper-income CT, due to a cluster of moderate-income CTs immediately adjacent to the branch, lending to moderate-income geographies is strong in this AA.

An analysis of lending in the other Wisconsin AAs was not completed as CCF does not collect and report this information for consumer lending, the primary lending product for purposes of this review. As such, a gap analysis would not be meaningful.

**Responses to Complaints**

CCF did not receive any complaints related to their performance in meeting AA credit needs during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Wisconsin is rated satisfactory.

### **Number and Amount of Community Development Loans**

#### **Eau Claire MSA AA**

During the CD evaluation period, CCF did not generate any CD loans.

#### **Other Wisconsin AAs**

Based on limited-scope reviews, the performance in the WI Non-MSA AA is stronger than performance in the Eau Claire MSA AA. During the CD evaluation period, CCF generated two CD-qualifying loans totaling \$1.1 million in the WI Non-MSA AA, which represents 2 percent of CCF's allocated tier 1 capital as of March 31, 2016. These loans supported affordable housing in the WI Non-MSA AA. No CD loans were originated or purchased in the Appleton MSA AA, Fond du Lac MSA AA, or Oshkosh MSA AA during the evaluation period.

For purposes of the CD Test, "allocated" tier 1 capital represents tier 1 capital as a percentage of a bank's deposits in an AA.

### **Number and Amount of Qualified Investments**

#### **Eau Claire MSA AA**

CCF's qualified investments in the Eau Claire MSA AA are poor in relation to the bank's capacity, identified area needs, and available investment opportunities. CCF did not have any investments during the CD evaluation period. CCF did have 103 donations totaling \$98 thousand dollars, however these equate to only 0.4 percent of allocated tier 1 capital, as of March 31, 2016, for the Eau Claire MSA AA.

#### **Other Wisconsin AAs**

Based on limited-scope reviews, the Appleton MSA AA, Fond du Lac MSA AA, and Oshkosh MSA AA are consistent with the bank's performance in the Eau Claire MSA AA. CCF's performance in the WI Non-MSA AA is stronger than the performance in the Eau Claire MSA AA. During the CD evaluation period, CCF generated two investments totaling \$512 thousand. These investments benefited public schools where more than 50 percent of the students qualify for the National Federal Lunch Program (NFLP). The NFLP provides nutritionally balanced, low-cost, or free lunches to children each school day.

### **Extent to Which the Bank Provides Community Development Services**

#### **Eau Claire MSA AA**

CCF's employees provided an excellent level of CD services in the Eau Claire MSA AA. Sixty-four employees provided financial expertise to 27 different organizations. These

include organizations that provide a variety of services to LMI individuals as well as organizations that promote economic development.

**Other Wisconsin AAs**

Based on limited-scope reviews, the Appleton MSA AA, Fond du Lac MSA AA, Oshkosh MSA AA, and WI Non-MSA AA are consistent with the bank's performance in the Eau Claire MSA AA.

**Responsiveness to Community Development Needs**

CCF's CD investments and services reflect adequate responsiveness to CD needs of the Eau Claire MSA AA. Services and investments are with organizations that provide a variety of assistance to LMI individuals and promote affordable housing.

## State Rating

### State of Minnesota

#### **CRA Rating for Minnesota: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors supporting the overall state rating for Minnesota include:

- CCF's distribution of loans in the Minnesota AAs exhibits reasonable penetration among borrowers of different income levels.
- CCF's distribution of loans reflects reasonable dispersion throughout CTs of different income levels.
- CCF demonstrates adequate responsiveness to CD needs of the AA through CD investments, loans, and services in the Minnesota AAs.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MINNESOTA**

CCF has three AAs in Minnesota. The Minneapolis MSA AA received a full-scope review. The Minneapolis MSA AA consists of the full counties of Anoka, Chisago, Dakota, Hennepin, Ramsey, Washington, and Wright. The Mankato MSA AA and the MN Non-MSA received limited-scope reviews. The Mankato MSA AA consists of Nicollet and Blue Earth Counties, while the MN Non-MSA AA consists of Rice, Goodhue and Winona Counties.

#### **Minneapolis MSA AA**

CCF operates two branches and two cash-dispensing ATMs within the Minneapolis AA. One branch is located in a middle-income CT while the other is located in a moderate-income CT. The Minneapolis MSA AA consists of 691 CTs where 63 are low-income (9 percent), 137 are moderate-income (20 percent), 301 are middle-income (44 percent), 186 are upper-income (27 percent), and four are not classified by income-level (1 percent). According to the FDIC Deposit Market Share Report, as of June 30, 2015, the Minneapolis MSA AA operations account for 7 percent of the bank's total deposits.

The Minneapolis MSA AA is the 16<sup>th</sup> largest metropolitan area in the United States. Job creation has broadened this year with the public sector and almost two-thirds of private Industries are adding workers. Hourly pay is up about twice as much as nationally over the past year. Regarding housing, increased demand and low inventories of homes for sale are fueling more residential building. Minneapolis is also home to six Fortune 500 companies.

Competition in the Minneapolis MSA AA is very high with 127 other financial institutions operating in the AA. These institutions operate 659 branches throughout the AA. CCF ranks 99<sup>th</sup> among the 127 financial institutions with \$33 million in deposits or .02 percent of the deposit market share. Wells Fargo Bank, N.A. and U.S. Bank N.A. lead the market with a combined deposit market share of 81.03 percent.

Employment in the Minneapolis MSA AA is concentrated in services (53 percent), retail trade (11 percent), and finance (9 percent). The largest employers in the MSA include UnitedHealth Group, 3M, Target, US Bancorp, and the University of Minnesota.

The unemployment rate in the Minneapolis MSA AA is lower than the state and national averages. As of June 30, 2016, the unemployment rate in the Minneapolis MSA was 3.7 percent, versus 3.8 percent for Minnesota and the national average of 4.9 percent.

Recent contacts in the community indicated a need for financial education and counseling for LMI individuals and families, as well as affordable financial services and housing.

<b>2010 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE MINNEAPOLIS MSA AA</b>	
<b>Population</b>	
Individuals	2,807,184
Number of Families	695,287
Number of Households	1,098,442
% of Low-Income Families	19.66%
% of Moderate-Income Families	17.58%
% of Middle-Income Families	22.87%
% of Upper-Income Families	39.90%
<b>Geographies</b>	
Number of Census Tracts	691
% Low-Income Census Tracts	9.12%
% Moderate-Income Census Tracts	19.83%
% Middle-Income Census Tracts	43.56%
% Upper-Income Census Tracts	26.92%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$79,301
2015 FFIEC-Adjusted MFI	\$85,700
<b>Economic Indicators</b>	
2015 Unemployment Rate	3.40%
2010 Median Housing Value	\$254,936
% of Households Below Poverty Level	9.37%

*Source: 2010 U.S. Census data with updated information when available*

## SCOPE OF EVALUATION IN MINNESOTA

The rating for the state of Minnesota is based primarily on Minneapolis MSA AA as this AA received a full-scope review. The full-scope review selection was based on CCF’s lending activity in the Minnesota AAs during the evaluation period as deposit levels in these three AAs are nearly even. During the evaluation period, CCF originated 55 percent of loans in Minnesota to the Minneapolis AA, compared to 14 percent in the Mankato MSA AA and 31 percent in the MN non-MSA AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MINNESOTA

CCF’s CRA performance in the state of Minnesota is satisfactory under both the Lending Test and the CD Test.

### LENDING TEST

The bank’s performance under the Lending Test in the state of Minnesota is satisfactory based on reasonable penetration among borrowers of different income levels, and overall reasonable dispersion of consumer loans among LMI geographies. Performance in the limited-scope areas contributed positively to the overall satisfactory rating for the Lending Test in the state of Minnesota.

#### Lending to Borrowers of Different Incomes

##### Minneapolis MSA AA

The borrower distribution of consumer loans in the Minneapolis MSA AA reflects reasonable penetration when consideration is given to high poverty levels in the MSA, which limit lending opportunities in the AA. Individuals living below the poverty level in the low-income CTs is significant at 34.71 percent, and in the moderate-income tracks high at 13.57 percent.

Borrower Distribution of Consumer Loans in Minneapolis MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	23.32%	10.00%	16.63%	13.33%	19.33%	28.33%	40.72%	48.33%

Source: Loan Sample; 2010 US Census Data

##### Other Minnesota AAs

Based on limited-scope reviews, performance in Mankato MSA AA is consistent with performance in the Minneapolis MSA AA. Performance in the MN Non-MSA AA is

weaker than the performance in the Minneapolis MSA AA, primarily due to lending performance in the low-income CTs being far below area demographics.

**Geographic Distribution of Loans**

**Minneapolis MSA AA**

CCF’s performance reflects poor dispersion of consumer loans in LMI geographies in comparison to the percentage of households within the Minneapolis MSA AA. The following table compares the bank’s consumer lending activity by the CT income level to the local demographics.

<b>Geographic Distribution of Consumer Loans in Minneapolis MSA AA</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	6.88%	1.67%	18.13%	15.00%	46.89%	51.67%	28.10%	31.67%

*Source: Loan Sample; US Census Data*

**Other Minnesota AAs**

Based on limited-scope reviews, the performance in the Mankato MSA AA and the MN Non-MSA AA are stronger than the performance in the Minneapolis MSA AA. Loans originated during the evaluation period in the limited-scope AAs exceeded the demographics in the moderate-income CTs. Because the limited-scope AAs together account for 45 percent of loan originations in Minnesota and 18 percent of the bank’s total deposits, performance in these AAs was given additional weight in determining the overall state rating for the geographic dispersion of loans. Performance in the limited-scope AAs supports an overall conclusion for the geographic dispersion of loans in the state of Minnesota as reasonable.

An analysis of lending was not completed for either the full-scope or limited-scope AAs. CCF does not collect and report this information for consumer lending. As such, a gap analysis would not be meaningful.

**Responses to Complaints**

CCF did not receive any complaints related to their performance in meeting AA credit needs during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in the state of Minnesota is rated satisfactory.

### **Number and Amount of Community Development Loans**

#### **Minneapolis MSA AA**

Performance in the Minneapolis MSA AA under this performance criterion is excellent. During the evaluation period, CCF generated three CD loans totaling \$12.6 million, which represents 21 percent of CCF's allocated tier 1 capital as of March 31, 2016. These loans supported affordable housing in the AA.

#### **Other Minnesota AAs**

Based on limited-scope reviews, performance in the Mankato MSA AA and the MN Non-MSA AA is weaker than the performance in the Minneapolis MSA AA. During the evaluation period, no CD loans were originated or purchased in the Mankato MSA AA or MN Non-MSA AA.

### **Number and Amount of Qualified Investments**

#### **Minneapolis MSA AA**

CCF's qualified investments in the Minneapolis MSA AA are poor in relation to the bank's capacity, identified area needs, and available investment opportunities. CCF did not have any investments during the evaluation period. CCF did have 16 donations totaling \$17 thousand dollars, however, these equate to only 0.4 percent of allocated tier 1 capital for the Minneapolis MSA AA.

#### **Other Minnesota AAs**

Based on limited-scope reviews, the Mankato MSA AA and MN Non-MSA AA are consistent with the bank's performance in the Minneapolis MSA AA.

### **Extent to Which the Bank Provides Community Development Services**

#### **Minneapolis MSA AA**

CCF's employees provided an excellent level of CD services in the Minneapolis MSA AA. Twelve employees provided financial expertise to six different organizations. These organizations provide a variety of services to LMI individuals.

#### **Other Minnesota AAs**

Based on limited-scope reviews, the Mankato MSA AA and MN Non-MSA AA are consistent with the bank's performance in the Minneapolis MSA AA.

### **Responsiveness to Community Development Needs**

CCF's CD loans and services reflect good responsiveness to the CD needs of the Minneapolis MSA AA. One of the two branches in the AA is located in a moderate-

income CT, which increases access to financial services to LMI individuals. In addition, services and loans are with organizations that provide a variety of assistance to LMI individuals and promote affordable housing.

## State Rating

### State of Michigan

#### **CRA Rating for Michigan: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Outstanding**

The major factors supporting the overall state rating for Michigan include:

- CCF's distribution of loans in the Michigan AA exhibits reasonable penetration among borrowers of different income levels.
- CCF's distribution of loans reflects reasonable dispersion throughout CTs of different income levels when consideration is given to competitive factors, the location and number of LMI geographies, and other performance context information.
- CCF demonstrates excellent responsiveness to CD needs of the AA through CD investments and services in the Warren MD AA.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN MICHIGAN

CCF has one AA in Michigan, which is the Warren MD AA. The Warren MD AA consists of the Lapeer, Macomb, and Oakland Counties. According to the FDIC Deposit Market Share Report, as of June 30, 2015, the Warren MD AA operations account for 11 percent of the bank's total deposits.

CCF operates two branches and two cash-dispensing ATMs within the AA. The branches are located in a middle- and upper-income CT. The Warren MD AA consists of 579 CTs where 31 are low-income (5 percent), 125 are moderate-income (22 percent), 253 are middle-income (44 percent), 163 are upper-income (28 percent), and seven are not classified by CT income level (1 percent).

Competition in the Warren MD AA is significant with 37 other financial institutions operating in the AA. These institutions operate 607 branches throughout the AA. CCF ranks 31<sup>st</sup> among the 37 financial institutions with \$49 million in deposits, or 0.08 percent deposit market share. CCF's primary competitors are Bank of America N.A. (BOA), Comerica Bank (Comerica), PNC Bank, N.A. (PNC), and JPMorgan Chase Bank N.A. (JP Morgan), which led the market with a combined 58.64 percent deposit market share.

The economy is diverse. The largest employers in the Warren MD AA include General Motors, Chrysler Group LLC, Beaumont Health System, and St. John Providence Health System. An expanding work population and robust income gains are supporting

retail employment growth, which currently accounts for about one-tenth of the workforce. The unemployment rate in the Warren MD AA is higher than the state and national averages. As of June 30, 2016, the unemployment rate in the Warren MD AA was 5.2 percent, versus 4.6 percent for Michigan and the national average of 4.9 percent. Employment in the Warren MD AA is concentrated in services (51 percent), retail trade (13 percent), and construction (8 percent).

Recent contacts in the community indicated a need for hybrid mortgage products for LMI individuals such as down payment assistance and closing costs assistance programs, as well as the need for financial education.

<b>2010 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE WARREN MD AA</b>	
<b>Population</b>	
Individuals	2,131,659
Number of Families	564,765
Number of Households	844,299
% of Low-Income Families	20.20%
% of Moderate-Income Families	18.13%
% of Middle-Income Families	21.03%
% of Upper-Income Families	40.64%
<b>Geographies</b>	
Number of Census Tracts	579
% Low-Income Census Tracts	5.35%
% Moderate-Income Census Tracts	21.59%
% Middle-Income Census Tracts	43.70%
% Upper-Income Census Tracts	28.15%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$75,314
2015 FFIEC-Adjusted MFI	\$77,300
<b>Economic Indicators</b>	
2015 Unemployment Rate	5.60%
2010 Median Housing Value	\$190,964
% of Households Below Poverty Level	8.98%

*Source: 2010 U.S. Census data with updated information when available*

## **SCOPE OF EVALUATION IN MICHIGAN**

The Warren MD AA received a full-scope review as this is the bank’s only AA in this state.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

CCF’s CRA overall performance in the state of Michigan is satisfactory. The bank’s performance is rated “Satisfactory” under the Lending Test and “Outstanding” under the CD Test.

### LENDING TEST

The bank’s performance under the Lending Test in the state of Michigan is satisfactory. The bank had reasonable penetration among borrowers of different income levels. When factoring in various performance context considerations, CCF had reasonable dispersion of consumer loans among LMI geographies.

#### Lending to Borrowers of Different Incomes

The borrower distribution of consumer loans in the Warren MD AA reflects reasonable penetration among consumers of different income levels. The distribution of consumer loans to low-income borrowers, while lower than area demographics, is reasonable when considering that 9 percent of the households are below the poverty rate in the area. The distribution of consumer loans to moderate-income borrowers exceeds the percentage of moderate-income households living in the AA.

Borrower Distribution of Consumer Loans in Warren MD AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	23.51%	16.67%	16.55%	20.00%	18.27%	25.00%	41.67%	38.33%

Source: Loan Sample; 2010 US Census Data

#### Geographic Distribution of Loans

CCF reflects reasonable dispersion of consumer loans in LMI geographies. Although loans made in the low-income CTs are below the area demographics, and in moderate-income CTs well below the demographics, dispersion is considered reasonable in light of AA competition, the number and location of LMI CTs, unemployment and poverty levels, and the location of bank operations in the AA. CCF faces significant competition from other banks with only an .08 percent deposit market share and two branches in the Warren MD AA, compared to the bank’s four top competitors, BOA, Comerica, PNC, and JPMorgan, which together hold 59 percent of the market’s deposits and have 285 locations throughout the AA. Branch locations for these four banks and 33 other competing institutions are significantly closer to the LMI geographies than CCF branch offices, which impacts lending opportunities in the LMI areas. LMI geographies combined represent only 25 percent of the AA CTs with 607 branches from competing

institutions densely clustered around the vast majority of these CTs. Poverty within the CTs also impedes lending in these areas. Poverty is significant in the low-income CTs with 26 percent of households below the poverty line, and high in the moderate-income CTs, with nearly 14 percent of households below the poverty line. Although not as significant, lending opportunities in the AA are also impacted by a higher unemployment rate, with AA unemployment levels above both the state of Michigan and the national average. The following table has the bank’s consumer lending activity by the CT income level compared to the local demographics.

<b>Geographic Distribution of Consumer Loans in Warren MD AA</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans	% of AA House holds	% of Number of Loans
Consumer	4.67%	1.67%	21.95%	3.33%	45.73%	56.67%	27.64%	38.33%

*Source: Loan Sample; US Census Data*

An analysis of lending across all tracts was not completed as CCF does not collect and report information relating to consumer lending. As such, a gap analysis would not be meaningful.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD Test in Michigan is rated outstanding.

### **Number and Amount of Community Development Loans**

During the evaluation period, CCF did not generate any CD loans.

### **Number and Amount of Qualified Investments**

CCF's qualified investments in the Warren MD AA is excellent in relation to the bank's capacity, identified area needs, and available investment opportunities. CCF made two investments, targeting affordable housing, during the evaluation period totaling over \$3 million dollars. CCF also made 12 donations totaling \$27 thousand dollars. The combined donations and investments equate to 47 percent of allocated tier 1 capital, as of March 31, 2016, for the Warren MD AA.

### **Extent to Which the Bank Provides Community Development Services**

CCF's level of CD services in the Warren MD AA is excellent. This assessment is based on the opportunities in the AA and the type of organizations that benefit from the services provided.

CCF's employees provided an excellent level of CD services in the Warren MD AA. Fourteen CCF employees worked with two CD organizations by providing financial expertise to LMI youth and to those in need of affordable housing.

### **Responsiveness to Community Development Needs**

CCF's CD investments and services reflect excellent responsiveness to the CD needs of the Warren MD AA. Services and investments are with organizations that provide a variety of assistance to LMI individuals and promoted affordable housing.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/14 to 12/31/15 Community Development Test: 07/01/12 to 03/31/16	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Citizens Community Federal Altoona, WI	Consumer loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Wisconsin: - Eau Claire MSA - Appleton MSA - Fond du Lac MSA - Oshkosh-Neenah MSA - WI Non-MSA  Minnesota: - Minneapolis MSA  - Mankato MSA - MN Non-MSA  Michigan: - Warren MD	Full Scope Limited Scope Limited Scope Limited Scope Limited Scope  Full Scope  Limited Scope Limited Scope  Full Scope	Eau Claire, Chippewa Counties Outagamie, Calumet Counties Fond du Lac County Winnebago County Barron, Buffalo, Dunn, Pepin, Portage, Wood Counties  Anoka, Chisago, Dakota, Hennepin, Ramsey, Washington, Wright Counties Nicollet, Blue Earth Counties Goodhue, Rice, Winona Counties  Lapeer, Macomb, Oakland Counties

## Appendix B: Summary of State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State Rating
CCF	Satisfactory	Satisfactory	Satisfactory
State:			
Wisconsin	Satisfactory	Satisfactory	Satisfactory
Minnesota	Satisfactory	Satisfactory	Satisfactory
Michigan	Satisfactory	Outstanding	Satisfactory