
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____

Commission file number 001-33003

CITIZENS COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

20-5120010

(IRS Employer
Identification Number)

2174 EastRidge Center
Eau Claire, WI 54701

(Address and Zip Code of principal executive offices)

715 - 836-9994

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value per share	CZWI	NASDAQ Global Market

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At May 8, 2024 there were 10,406,341 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

CITIZENS COMMUNITY BANCORP, INC.

FORM 10-Q

March 31, 2024

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PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Balance Sheets
March 31, 2024 (unaudited) and December 31, 2023
(derived from audited financial statements)
(in thousands, except share and per share data)

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 28,638	\$ 37,138
Other interest bearing deposits	—	—
Available for sale ("AFS") securities, at fair value (amortized cost of \$ 176,564 , net of allowance for credit losses of \$ 0 at March 31, 2024 and amortized cost of \$ 179,744 , net of allowance for credit losses of \$ 0 at December 31, 2023)	151,672	155,743
Held to maturity ("HTM") securities, at amortized cost (fair value of \$ 70,270 , net of allowance for credit losses of \$ 0 at March 31, 2024 and fair value of \$ 73,262 , net of allowance for credit losses of \$ 0 at December 31, 2023)	89,942	91,229
Equity investments	3,281	3,284
Other investments	13,022	15,725
Loans receivable	1,450,159	1,460,792
Allowance for credit losses	(22,436)	(22,908)
Loans receivable, net	1,427,723	1,437,884
Loans held for sale	—	5,773
Mortgage servicing rights, net	3,774	3,865
Office properties and equipment, net	18,026	18,373
Accrued interest receivable	6,324	5,409
Intangible assets	1,515	1,694
Goodwill	31,498	31,498
Foreclosed and repossessed assets, net	1,845	1,795
Bank owned life insurance ("BOLI")	25,836	25,647
Other assets	16,219	16,334
TOTAL ASSETS	\$ 1,819,315	\$ 1,851,391
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	\$ 1,527,489	\$ 1,519,092
Federal Home Loan Bank ("FHLB") advances	39,500	79,530
Other borrowings	67,523	67,465
Other liabilities	11,982	11,970
Total liabilities	1,646,494	1,678,057
Stockholders' Equity:		
Common stock—\$ 0.01 par value, authorized 30,000,000 ; 10,406,880 and 10,440,591 shares issued and outstanding, respectively	104	104
Additional paid-in capital	118,916	119,441
Retained earnings	71,831	71,117
Accumulated other comprehensive loss	(18,030)	(17,328)
Total stockholders' equity	172,821	173,334
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,819,315	\$ 1,851,391

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Operations (unaudited)
Three Months Ended March 31, 2024 and 2023
(in thousands, except per share data)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Interest and dividend income:		
Interest and fees on loans	\$ 20,168	\$ 17,126
Interest on investments	2,511	2,547
Total interest and dividend income	<u>22,679</u>	<u>19,673</u>
Interest expense:		
Interest on deposits	9,209	4,348
Interest on FHLB and FRB borrowed funds	512	1,493
Interest on other borrowed funds	1,053	1,037
Total interest expense	<u>10,774</u>	<u>6,878</u>
Net interest income before provision for credit losses	11,905	12,795
Provision for credit losses	(800)	50
Net interest income after provision for credit losses	<u>12,705</u>	<u>12,745</u>
Non-interest income:		
Service charges on deposit accounts	471	485
Interchange income	541	551
Loan servicing income	582	569
Gain on sale of loans	1,020	298
Loan fees and service charges	230	80
Net gains on investment and equity securities	167	56
Other	253	253
Total non-interest income	<u>3,264</u>	<u>2,292</u>
Non-interest expense:		
Compensation and related benefits	5,483	5,338
Occupancy	1,367	1,423
Data processing	1,597	1,460
Amortization of intangible assets	179	204
Mortgage servicing rights expense, net	148	158
Advertising, marketing and public relations	164	136
FDIC premium assessment	205	201
Professional services	566	505
Losses (gains) on repossessed assets, net	—	(29)
Other	1,068	725
Total non-interest expense	<u>10,777</u>	<u>10,121</u>
Income before provision for income taxes	5,192	4,916
Provision for income taxes	1,104	1,254
Net income attributable to common stockholders	<u>\$ 4,088</u>	<u>\$ 3,662</u>
Per share information:		
Basic earnings	\$ 0.39	\$ 0.35
Diluted earnings	\$ 0.39	\$ 0.35
Cash dividends paid	\$ 0.32	\$ 0.29

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss) (unaudited)
Three months ended March 31, 2024 and 2023
(in thousands)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net income attributable to common stockholders	\$ 4,088	\$ 3,662
Other comprehensive (loss) income, net of tax:		
Securities available for sale		
Net unrealized (losses) gains arising during period, net of tax	(702)	1,065
Other comprehensive (loss) income, net of tax	(702)	1,065
Comprehensive income	<u><u>\$ 3,386</u></u>	<u><u>\$ 4,727</u></u>

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity (unaudited)
Three Months Ended March 31, 2024
(in thousands, except shares and per share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			(loss)	
Balance, December 31, 2023	10,440,591	\$ 104	\$ 119,441	\$ 71,117	\$ (17,328)	\$ 173,334
Net income	—	—	—	4,088	—	4,088
Other comprehensive income, net of tax	—	—	—	—	(702)	(702)
Surrender of restricted shares of common stock	(9,471)	—	(113)	—	—	(113)
Restricted common stock awarded under the equity incentive plan	16,955	—	—	—	—	—
Restricted common stock issued upon achievement of the 2021 performance criteria	8,805	—	—	—	—	—
Common stock repurchased	(50,000)	—	(570)	(28)	—	(598)
Amortization of restricted stock	—	—	158	—	—	158
Cash dividends (\$0.32 per share)	—	—	—	(3,346)	—	(3,346)
Balance at March 31, 2024	10,406,880	\$ 104	\$ 118,916	\$ 71,831	\$ (18,030)	\$ 172,821

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity (unaudited)
Twelve Months Ended December 31, 2023
(in thousands, except shares and per share data)

	Common Stock			Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other	Total Stockholders' Equity
	Shares	Amount				(Loss)		
Balance, January 1, 2023	10,425,119	\$ 104		\$ 119,240	\$ 65,400	\$ (17,656)		\$ 167,088
Net income	—	—		—	3,662	—		3,662
Other comprehensive loss, net of tax	—	—		—	—	1,065		1,065
Forfeiture of unvested shares	(1,168)	—		—	—	—		—
Surrender of restricted shares of common stock	(10,287)	—		(129)	—	—		(129)
Restricted common stock awarded under the equity incentive plan	50,606	1		—	—	—		1
Restricted stock issued upon achievement of the 2020 performance criteria	18,551	—		—	—	—		—
Amortization of restricted stock	—	—		216	—	—		216
Cumulative change in accounting principle for adoption of ASU 2016-13	—	—		—	(4,432)	—		(4,432)
Cumulative change in accounting principle for adoption of ASU 2023-02	—	—		—	130	—		130
Cash dividends (\$ 0.29 per share)	—	—		—	(3,040)	—		(3,040)
Balance at March 31, 2023	10,482,821	105		119,327	61,720	(16,591)		164,561
Net income	—	—		—	3,206	—		3,206
Other comprehensive loss, net of tax	—	—		—	—	(2,286)		(2,286)
Forfeiture of unvested shares	(1,500)	—		—	—	—		—
Common stock options exercised	3,000	—		28	—	—		28
Common stock repurchased	(14,146)	—		(117)	—	—		(117)
Amortization of restricted stock	—	—		166	—	—		166
Balance at June 30, 2023	10,470,175	105		119,404	64,926	(18,877)		165,558
Net income	—	—		—	2,498	—		2,498
Other comprehensive loss, net of tax	—	—		—	—	(2,862)		(2,862)
Forfeiture of unvested shares	(2,084)	—		—	—	—		—
Amortization of restricted stock	—	—		208	—	—		208
Balance, September 30, 2023	10,468,091	105		119,612	67,424	(21,739)		165,402
Net income	—	—		—	3,693	—		3,693
Other comprehensive loss, net of tax	—	—		—	—	4,411		4,411
Common stock repurchased	(27,500)	(1)		(303)	—	—		(304)
Amortization of restricted stock	—	—		132	—	—		132
Balance, December 31, 2023	10,440,591	\$ 104		\$ 119,441	\$ 71,117	\$ (17,328)		\$ 173,334

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows (unaudited)
Three Months Ended March 31, 2024 and 2023
(in thousands)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Cash flows from operating activities:		
Net income attributable to common stockholders	\$ 4,088	\$ 3,662
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment securities net discount accretion	(19)	(30)
Depreciation expense	561	606
(Negative provision) provision for credit losses	(800)	50
Net realized gain on equity securities	(167)	(56)
Increase in mortgage servicing rights resulting from transfers of financial assets	(57)	(16)
Mortgage servicing rights amortization and impairment, net	148	158
Amortization of intangible assets	179	204
Amortization of restricted stock	158	216
Loss on sale of office properties and equipment	(13)	—
Decrease in deferred income taxes	355	457
Increase in cash surrender value of life insurance	(189)	(164)
Net loss (gain) from disposals of foreclosed and repossessed assets	—	(29)
Gain on sale of loans held for sale, net	(1,020)	(298)
Proceeds from sale of loans held for sale	18,543	4,563
Originations of loans held for sale	(11,750)	(5,026)
Proceeds from insurance claim on foreclosed and repossessed assets	27	—
Net change in:		
Accrued interest receivable and other assets	(966)	(837)
Other liabilities	12	(1,640)
Total adjustments	5,002	(1,842)
Net cash provided by operating activities	9,090	1,820
Cash flows from investing activities:		
Purchase of available for sale securities	—	(11,007)
Proceeds from principal payments of available for sale securities	3,202	5,077
Proceeds from principal payments and maturities of held to maturity securities	1,284	1,075
Equity investment capital distribution	170	—
Purchase of equity investments	—	(300)
Net sales (purchases) of other investments	2,703	(1,594)
Proceeds from sales of foreclosed and repossessed assets	—	212
Net decrease (increase) in loans	10,888	(9,082)
Net capital expenditures	(214)	(313)
Proceeds from disposal of office properties and equipment	13	3
Net cash provided by (used in) investing activities	18,046	(15,929)
Cash flows from financing activities:		
Change in short term Federal Home Loan Bank advances, net	(34,500)	70,000
Federal Home Loan Bank advance long-term maturities	(5,530)	(30,000)
Amortization of debt issuance costs	58	58
Other borrowings principal reductions	—	(5,167)
Net increase in deposits	8,393	12,073
Common stock restricted shares	—	1
Repurchase shares of common stock	(598)	—
Surrender of restricted shares of common stock	(113)	(129)
Cash dividends paid	(3,346)	(3,040)
Net cash (used in) provided by financing activities	(35,636)	43,796
Net (decrease) increase in cash and cash equivalents	(8,500)	29,687
Cash and cash equivalents at beginning of period	37,138	35,363
Cash and cash equivalents at end of period	\$ 28,638	\$ 65,050

Supplemental cash flow information:

Cash paid during the period for:

Interest on deposits	\$	7,079	\$	4,325
Interest on borrowings	\$	2,249	\$	2,947
Income taxes	\$	—	\$	—

Supplemental noncash disclosure:

Transfers from loans receivable to other real estate owned ("OREO")	\$	73	\$	25
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See accompanying condensed notes to unaudited consolidated financial statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

(UNAUDITED)

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Citizens Community Federal N.A. (the "Bank") included herein have been included by its parent company, Citizens Community Bancorp, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. As used in this quarterly report, the terms "we", "us", "our", and "Citizens Community Bancorp, Inc." mean the Company and its wholly owned subsidiary, the Bank, unless the context indicates other meaning.

The Bank is a national banking association (a "National Bank") and operates under the title of Citizens Community Federal National Association ("Citizens Community Federal N.A." or "Bank" or "CCFBank"). The Company is a bank holding company, supervised by the Federal Reserve Bank of Minneapolis (the "FRB"), and operates under the title of Citizens Community Bancorp, Inc. The Office of the Comptroller of the Currency (the "OCC"), is the primary federal regulator for the Bank.

The consolidated income of the Company is principally derived from the income of the Bank, the Company's wholly owned subsidiary, serving customers primarily in Wisconsin and Minnesota through 23 branch locations. Its primary markets include the Chippewa Valley Region in Wisconsin, the Mankato and Twin Cities markets in Minnesota, and various rural communities around these areas. The Bank offers traditional community banking services to businesses, agricultural operators and consumers, including one-to-four family residential mortgages.

The Bank is subject to competition from other financial institutions and non-financial institutions providing financial products. Additionally, the Bank is subject to the regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

In preparing these consolidated financial statements, we evaluated the events and transactions that occurred subsequent to the balance sheet date of March 31, 2024, through the date on which the consolidated financial statements were available to be issued on May 8, 2024, for items that should potentially be recognized or disclosed in these consolidated financial statements.

The accompanying consolidated interim financial statements are unaudited. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Unless otherwise stated herein, and except for shares and per share amounts, all amounts are in thousands.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates –Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, fair value of financial instruments, the allowance for credit losses, mortgage servicing rights, foreclosed and repossessed assets, valuation of intangible assets arising from acquisitions, useful lives for depreciation and amortization, valuation of goodwill and long-lived assets, stock based compensation, deferred tax assets, uncertain income tax positions and contingencies. Management does not anticipate any material changes to estimates made herein in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: those items described under the caption "Risk Factors" in Item 1A of the annual report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 5, 2024; the matters described in "Risk Factors" in Item 1A of this Form 10-Q; and external market factors such as market interest rates and unemployment rates; changes to operating policies and procedures, and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period.

Cash and Cash Equivalents— For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash, due from banks, and interest bearing deposits with original maturities of three months or less.

Investment Securities; Available for Sale and Held to Maturity – Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of the date of each balance sheet. Securities

are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Investment securities not classified as held to maturity are classified as available for sale. Available for sale securities are stated at fair value, with unrealized holding gains and losses being reported in other comprehensive income (loss), net of tax. Realized gains or losses on sales of available for sale securities are calculated with the specific identification method and are included in the consolidated statements of operations under net gains on investment securities. Interest income includes amortization of purchase premium or accretion of purchase discount. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities.

Allowance for Credit Losses – Available for Sale Securities - The Company measures the allowance for credit losses on available for sale debt securities by evaluating securities in an unrealized loss position using a two-step process. First, the Company assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If it is determined that the Company intends or will be required to sell the security, it is written down to its fair value as net gains or losses on investment securities in our consolidated statement of operations. For agency mortgage-backed and asset-backed securities that do not meet the criteria in step one, there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other debt securities that do not meet the criteria in step one, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and the allowance for credit losses on available for sale investments is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Allowance for Credit Losses – Held to Maturity Securities - The Company measures expected credit losses on held to maturity debt securities on a collective basis by major security type. For agency mortgage-backed securities there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other securities, the estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company has elected to not measure an ACL on accrued interest on available for sale and held to maturity securities, as it would write off accrued interest in a timely manner if the related security was determined to have a credit loss. The Company has no available for sale securities or held to maturity securities which it deems to have a credit loss at March 31, 2024.

Equity investments - The Company is required to maintain an investment in Federal Agricultural Mortgage Corporation ("Farmer Mac") equity securities. Farmer Mac equity securities are carried at their fair market value, which is readily determinable. Changes in fair value are recognized as net gains or losses on investment securities in our consolidated statement of operations.

Also included in equity investments are the Company's investments in a Volker Rule-compliant Small Business Investment Company ("SBIC") and an investment fund. The SBIC and investment fund meet the definition of investment companies, as defined in ASC 946, Financial Services - Investment Companies. These investments seek returns by investing in various small businesses and do not have redemption rights. Distributions from the investments will be received as the underlying investments, which generally have a life of 10 years, are liquidated. We elected the practical expedient available in Topic 820, Fair Value Measurements, which permits the use of net asset value ("NAV") per share or equivalent to value investments in entities that are or are similar to investment companies. SBICs and investment funds report their investments at estimated fair value. We record the unrealized gains and losses resulting from changes in the fair value of these investments as net gains or losses on investment securities in our consolidated statements of operations. The carrying value of these investments is equal to the capital account as provided by the investee and adjusted as necessary.

Other Investments - As a member of the Federal Reserve Bank ("FRB") System and the Federal Home Loan Bank ("FHLB") System, the Bank is required to maintain an investment in the capital stock of these entities. These securities are "restricted" in that they can only be sold back to the respective institutions or another member institution at par. Therefore, they are less liquid than other exchange traded equity securities. As no ready market exists for these stocks, and they have no quoted market value, these investments are carried at cost and periodically evaluated for impairment based on the ultimate recovery of par value. Cash dividends are reported as other income in our consolidated statements of operations.

Also included in other investments is stock of our correspondent bank, Bankers' Bank, without readily determinable fair value. This stock is carried at cost plus or minus changes resulting from observable price changes in orderly transactions for this stock, less other-than-temporary impairment charges, if any.

Management's evaluation for impairment of these other investments, includes consideration of the financial condition and other available relevant information of the issuer. Based on management's quarterly evaluation, no impairment has been recorded on these securities. Other investments totaling \$ 13,022 at March 31, 2024 consisted of \$ 4,595 of FHLB stock, \$ 5,703 of Federal Reserve Bank stock and \$ 2,724 of Bankers' Bank stock. Other investments totaling \$ 15,725 at December 31, 2023 consisted of \$ 7,302 of FHLB stock and \$ 5,699 of Federal Reserve Bank stock and \$ 2,724 of Bankers' Bank stock.

Loans Receivable – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, accretable yield on acquired loans, and non-accretable discount on purchased credit deteriorated (PCD) loans. Interest income is accrued on the unpaid principal balance of these loans and is presented as a separate line item on the consolidated balance sheets. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method over the contractual life of the loan with no prepayments assumed. If the loan is prepaid, any unamortized net fee is recognized at this time. Late charge fees are recognized into income when collected.

Interest income on commercial, mortgage and consumer loans is discontinued according to the following schedules:

- Commercial/agricultural real estate loans past due 90 days or more;
- Commercial and industrial/agricultural operating loans past due 90 days or more;
- Closed end consumer installment loans past due 120 days or more; and
- Residential mortgage loans and open ended consumer installment loans past due 180 days or more.

Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for a loan placed on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. Loans are returned to accrual status when payments are made that bring the loan account current with the contractual term of the loan and a six month payment history has been established.

Residential mortgage loans and open ended consumer installment loans are charged off to estimated net realizable value less estimated selling costs at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 180 days or more. Closed ended consumer installment loans are charged off to net realizable value at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 120 days or more. Commercial/agricultural real estate, commercial and industrial and agricultural operating loans are charged off to net realizable value at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 90 days or more.

Allowance for Credit Losses – Loans The allowance for credit losses ("ACL") on loans is a valuation allowance for current expected credit losses in the Company's loan portfolio. Prior to January 1, 2023, the valuation allowance was established for probable and inherent credit losses. Loan losses are charged against the ACL when management believes that the collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the ACL. In determining the allowance, the company estimates credit losses over the loan's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant available information from internal and external sources relating to historical loss experience; known and inherent risks in our portfolio; information about specific borrowers' ability to repay; estimated collateral values; current economic conditions; reasonable and supportable forecasts for future conditions; and other relevant factors determined by management. To ensure that the ACL is maintained at an adequate level, a detailed analysis is performed on a quarterly basis and an appropriate provision is made to adjust the allowance. The entire ACL balance is available for any loan that, in management's judgment, should be charged off.

The determination of the ACL requires significant judgement to estimate credit losses. The ACL on loans is measured collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The ACL on loans collectively evaluated is measured using the loss rate model. The Company categorizes its loan portfolio into four segments based on similar risk characteristics. Loans within each segment are pooled based on individual loan characteristics. Aggregated risk drivers are then calculated at a pool level. Risk drivers are identified attributes that have proven to be predictive of loan loss rates and vary based on loan

segment and type. A loss rate is calculated and applied to the pool utilizing a model that combines the pool's risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. For commercial/agricultural real estate loans, the loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on national economic conditions and their reversion to the mean is implicit in the model and generally occurs over a period of two years. For commercial and industrial/agricultural operating, residential, and consumer loans, the loss rate is then combined with the loans balance and contractual maturity, to determine expected future losses.

Qualitative adjustments are made to the allowance calculated on collectively evaluated loans to incorporate factors not included in the model. Qualitative factors include but are not limited to, lending policies and procedures, the experience and ability of lending and other staff, the volume and severity of problem credits, quality of the loan review system, and other external factors.

Loans that exhibit different risk characteristics from the pool are individually evaluated. Loans can be identified for individual evaluation for a variety of reasons including delinquency, nonaccrual status, risk rating and loan modification. Accruing loans that exhibit different risk characteristics from their pool may also be within scope. On these loans, an allowance may be established so that the loan is reported, net, at the lower of (a) its amortized cost; (b) the present value of the loan's estimated future cash flows using the loan's existing rate; or (c) at the fair value of any loan collateral, less estimated disposal costs, if the loan is collateral dependent. Collateral dependency is determined using the practical expedient when: 1) the borrower is experiencing financial difficulty; and 2) repayment is expected to be provided substantially through the sale or operation of the collateral.

The Company has elected to not measure an ACL on accrued interest as it writes off accrued interest in a timely manner.

Allowance for Credit Losses - Unfunded Commitments - The ACL on unfunded commitments is a liability for credit losses on commitments to originate or fund loans, and standby letters of credit. It is included in "Other liabilities" on the consolidated balance sheets. Expected credit losses are estimated over the contractual period in which the Company is exposed to credit risk via a commitment that cannot be unconditionally canceled, adjusted for projected prepayments when appropriate. In addition, the estimate of the liability considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on consolidated statements of operations. Because the business processes and risks associated with unfunded commitments are essentially the same as loans, the Company uses the same process to estimate the liability.

Loans Held for Sale — Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or fair value. Gains and losses on sales of loans are recognized at settlement dates, and are determined by the difference between the sales proceeds and the carrying value of the loans after allocating costs to servicing rights retained. Such gains and losses are included as non-interest income in the consolidated statements of operations. All sales are made without recourse. Interest rate lock commitments on mortgage loans to be funded and sold are valued at fair value, and are included in other assets or liabilities, if material.

Transfers of financial assets—Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the entity, (2) the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets, and (3) the entity does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Mortgage Servicing Rights—Mortgage servicing rights ("MSR") assets result as the Company sells loans to investors in the secondary market and retains the rights to service mortgage loans sold to others. MSR assets are initially measured at fair value; assessed for impairment at least annually; and carried at the lower of the initial capitalized amount, net of accumulated amortization, or estimated fair value. MSR assets are amortized in proportion to and over the period of estimated net servicing income, with the amortization recorded as "Mortgage servicing rights expense, net" in non-interest expense in the consolidated statements of operations.

The valuation of MSRs and related amortization, included in mortgage servicing rights expense in the consolidated statements of operations, thereon are based on numerous factors, assumptions and judgments, such as those for: changes in the mix of loans, interest rates, prepayment speeds, and default rates. Changes in these factors, assumptions and judgments may have a material effect on the valuation and amortization of MSRs. Although management believes that the assumptions used to evaluate the MSRs for impairment are reasonable, future adjustment may be necessary if future economic conditions differ substantially from the economic assumptions used to determine the value of MSRs.

Servicing fee income, which is reported on the consolidated statements of operations in non-interest income as loan servicing income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of outstanding principal; or a fixed amount per loan and are recorded as income when earned.

Office Properties and Equipment—Premises and equipment are stated at cost less accumulated depreciation. Land is carried at cost. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of office properties and equipment are reflected in income. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 10 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line (or accelerated) method with useful lives ranging from 3 to 10 years. Leasehold improvements are depreciated using the straight-line (or accelerated) method with useful lives based on the lesser of (a) the estimated life of the lease, or (b) the estimated useful life of the leasehold improvement. Depreciation expense is included in non-interest expense on the consolidated statements of operations.

Goodwill and other intangible assets—The Company accounts for goodwill and other intangible assets in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." The Company records the excess of the cost of acquired entities over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, as goodwill. The Company amortizes acquired intangible assets, primarily Core Deposit Intangibles (CDI) with definite useful economic lives over their useful economic lives originally ranging from 72 to 111 months utilizing the straight-line method. On a periodic basis, management assesses whether events or changes in circumstances indicate that the carrying amounts of the intangible assets may be impaired. Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. A reporting unit is defined as any distinct, separately identifiable component of the Company's one operating segment for which complete, discrete financial information is available and reviewed regularly by the segment's management. The Company has one reporting unit as of March 31, 2024, which is related to its banking activities. The impairment testing process is conducted by assigning net assets and goodwill to the Company's reporting unit. An initial qualitative evaluation is made to assess the likelihood of impairment and determine whether further quantitative testing to calculate the fair value is necessary. When the qualitative evaluation indicates that impairment is more likely than not, quantitative testing is required whereby the fair value of the Company's reporting unit is calculated and compared to the recorded book value, "step one." If the calculated fair value of the Company's reporting unit exceeds its carrying value, goodwill is not considered impaired and "step two" is not considered necessary. If the carrying value of the Company's reporting unit exceeds its calculated fair value, the impairment test continues ("step two") by comparing the carrying value of the Company's reporting unit's goodwill to the implied fair value of goodwill. An impairment charge is recognized if the carrying value of goodwill exceeds the implied fair value of goodwill. The Company has performed the required goodwill impairment test and has determined that goodwill was not impaired as of December 31, 2023. The Company has monitored events and conditions since December 31, 2023, and has determined that no triggering event has occurred that would require goodwill to be tested for impairment.

Foreclosed and Repossessed Assets, net—Assets acquired through foreclosure or repossession are initially recorded at fair value, less estimated costs to sell, which establishes a new cost basis. If the fair value declines subsequent to foreclosure or repossession, a write-down is recorded through expense. Costs incurred after acquisition are expensed and are included in non-interest expense, other in the consolidated statements of operations.

Bank Owned Life Insurance (BOLI)—The Bank invests in bank-owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a select group of employees. The Bank is the owner and beneficiary of the policies. Income from the increase in cash surrender value of the policies as well as the receipt of death benefits is included in non-interest income on the consolidated statements of operations.

New Markets Tax Credits - As a part of its commitment to the communities it serves, in the first quarter of 2022, the Company made an investment in an LLC that is sponsoring a community development project that has been awarded a New Markets Tax Credit ("NMTC") through the U.S. Department of the Treasury's Community Development Financial Institutions Fund. This investment is Community Reinvestment Act eligible and is designed to generate a return primarily through the realization of the tax credit. This LLC is considered a Variable Interest Entity (VIE) as the Company represents the holder of the equity investment at risk. However, the Company does not have the ability to direct the activities that most significantly affect the performance of the LLC. As such, the Company is not the primary beneficiary of the VIE and the LLC has not been consolidated. With the adoption of ASU 2023-02 on January 1, 2023 discussed in *Recent Accounting Pronouncements - Adopted* below, the investment is accounted for using the proportional amortization method, which requires amortizing the investment in the period of and in proportion to the recognition of the related tax credit. Amortization of the investment is included in provision for income taxes and the utilization of the tax credit is recorded as a reduction in provision for income taxes. Prior to the adoption of ASU 2023-02 the investment was accounted for using the equity method of accounting and was amortized through non-interest expense

As of March 31, 2024, the carrying amount of this investment, which is included in other assets in the consolidated balance sheets, was \$ 2,753 . The risk of loss with this investment is limited to its carrying value and is tied to its ability to operate in compliance with the rules and regulations necessary for the qualification of the tax credit generated by the investment. As of March 31, 2024, there were no known instances of noncompliance associated with the investment.

Leases - We determine if an arrangement is a lease at inception. All of our existing leases have been determined to be operating leases under ASC 842. Right-of-use ("ROU") assets are included in other assets in our consolidated balance sheets. Operating lease liabilities are included in other liabilities in our consolidated balance sheets. Lease expense is included in non-interest expense, "Occupancy" in the consolidated statements of operations.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date, based on the present value of lease payments over the lease term. As none of our existing leases provide an implicit rate, we use our incremental borrowing rate, based on information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease, when it is reasonably certain that we will exercise that option. Lease expense is recognized based on the total contractually required lease payments, over the term of the lease, on a straight-line basis. Some of the Bank's leases require it to make variable payments for the Bank's share of property taxes, insurance, common area maintenance and other costs. These variable costs are recognized when incurred and are also included in lease expense.

Federal Hold Loan Bank ("FHLB") advances - The Bank holds both \$ 9,500 and \$ 44,000 short-term and \$ 30,000 and \$ 35,530 long-term FHLB advances as of March 31, 2024 and December 31, 2023, respectively. For cash flow purposes the short-term FHLB advances are disclosed net with original maturities of three months or less.

Debt and equity issuance costs— Debt issuance costs, which consist primarily of fees paid to note lenders, are deferred and included in other borrowings in the consolidated balance sheets. Debt issuance costs that originated in 2020 and thereafter, are amortized through the first Company call option date of the corresponding debt, as a component of interest expense on other borrowed funds in the consolidated statements of operations. Senior note debt issuance costs, are amortized over the contractual term of the corresponding debt, as a component of interest expense on other borrowed funds in the consolidated statements of operations. Specific costs associated with the issuance of shares of the Company's common or preferred stock are netted against proceeds and recorded in stockholders' equity, as additional paid in capital, on the consolidated balance sheets, in the period of the share issuance.

Share-Based Compensation— The Company may grant restricted stock awards and other stock-based awards to plan participants, subject to forfeiture upon the occurrence of certain events until the dates specified in the participant's award agreement. The Company accounts for forfeitures as they occur. While time based restricted shares are subject to forfeiture, time based restricted stock award participants may exercise full voting rights and will receive all dividends and other distributions paid with respect to the restricted shares. The time based restricted shares granted under the 2018 Equity Incentive Plan (the "Plan") are subject to a three-year vesting period. Compensation expense for time based restricted stock is recognized over the requisite service period of three years for the entire award on a straight-line basis. Performance based restricted shares are earned over a three-year period based on Board approved performance metrics and expense is recorded based on expected shares vesting. The performance based restricted stock award participants do not have voting rights and do not receive dividends or other distributions paid with respect to the performance based restricted shares. Upon vesting of restricted stock, the benefit of tax deductions in excess of recognized compensation expense is reflected as an income tax benefit in the Consolidated Statements of Operations.

Advertising, Marketing and Public Relations Expense— The Company expenses all advertising, marketing and public relations costs as they are incurred.

Income Taxes – The Company accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") Topic 740, "Income Taxes." Under this guidance, deferred taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company regularly reviews the carrying amount of its net deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the

Company's net deferred tax assets will not be realized in future periods, a deferred tax valuation allowance would be established. Consideration is given to various positive and negative factors that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical performance, expectations of future earnings, the ability to carry back losses to recoup taxes previously paid, the length of statutory carry forward periods, any experience with utilization of operating loss and tax credit carry forwards not expiring, tax planning strategies and timing of reversals of temporary differences. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. Accordingly, the Company's evaluation is based on current tax laws as well as management's expectations of future performance.

The Company's effective tax rates were 21.3 % for the three months ended March 31, 2024, and 25.5 % for the three months ended March 31, 2023. The Wisconsin state budget, signed July 5, 2023, effective January 1, 2023, made originated loans in Wisconsin for business purposes up to \$5,000 non-taxable. This change lowers the Company's income tax rate for the three-months ended March 31, 2024, and lowered the Company's income tax rate for the twelve-month period ended December 31, 2023, before related valuation allowance. Income tax expense in 2023, was lower due to the retroactive, effect of this change. This reduction of income tax expense was offset by a one-time tax expense of \$ 1,828 in the period ended September 30, 2023, as the impact of the resulting lower incremental tax rate decreased the estimated future realization of an existing deferred tax asset resulting in a valuation allowance.

Revenue Recognition - The Company's primary source of revenue is interest income from interest earning assets, which is recognized on the accrual basis of accounting using the effective interest method. The recognition of revenues from interest earning assets is based upon formulas from underlying loan agreements, securities contracts or other similar contracts.

The Company accounts for revenue from contracts with customers in accordance with ASC Topic 606, "Revenue from Contracts with Customers." Topic 606 provides that revenue from contracts with customers be recognized when performance obligations under the terms of a contract are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing service. The Company does not have any materially significant payment terms as payment is received shortly after the satisfaction of the performance obligation. The non-interest income line items recognized under the scope of Topic 606 are as follows:

Service charges on deposit accounts - Service charges on accounts consist of monthly service fees, transaction-based fees, overdraft fees and other deposit account related fees. The Company's performance obligation for monthly services fees is generally satisfied over the period in which the service is provided. Revenue for these monthly fees is recognized during the service period. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied at the time the service is provided. Payment for service charges on deposit accounts are primarily received immediately or in the following month through a direct charge to a customer's account.

Interchange income - The Company earns interchange fees when cardholder debit card transaction are processed through card association networks. The interchange rates are generally set by the card association based upon purchase volumes and other factors. Interchange fees represent a percentage of the underlying transaction value. The Company has a continuous contract, based on customary business practices, with the card association networks to make funds available for settlement of card transactions. The Company's performance obligation is satisfied over time as it makes funds available, and the related income is recognized when received.

Gain (loss) on repossessed assets - The Company records a gain or loss from the sale of repossessed assets, when control of the property or asset transfers to the buyer, which generally occurs at the time of an executed deed or sales agreement. When the Company finances the sale of repossessed assets to a buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the repossessed asset is derecognized and the gain or loss on sale is recorded upon transfer of control of the property to the buyer. In determining the gain on sale or loss on the sale, the Company adjust the transaction price and related gain or loss on sale if a significant financing component is present.

Non-interest income outside of the scope of Revenue from Contracts with Customers, Topic 606 is recognized on the accrual basis of accounting as services are provided or as transactions occur. Non-interest income outside of the scope of Topic 606 includes mortgage banking activities, loan fees and service charges, net gains (losses) on investment securities, and other, which is primarily made up of BOLI related income.

Earnings Per Share - Basic earnings per common share is net income or loss divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable during the period, consisting of stock options outstanding under the Company's stock incentive plans that have an exercise price that is less than the Company's stock price on the reporting date.

Loss Contingencies—Loss contingencies, including claims and legal actions arising in the normal course of business, are recorded as liabilities when the likelihood of loss is probable and an amount of loss can be reasonably estimated.

Off-Balance-Sheet Financial Instruments—In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit and commitments under lines of credit arrangements, issued to meet customer financial needs. Such financial instruments are recorded in the financial statements when they become payable.

Derivatives—Rate-lock Commitments and Forward Sale Agreements — The Company enters into commitments to originate loans, whereby the interest rate on the loan is determined prior to funding (rate-lock commitment). Rate-lock commitments on mortgage loans held for sale are derivative instruments. If material, derivative instruments are carried on the consolidated balance sheets at fair value, and changes in the fair value thereof are recognized in the consolidated statements of operations. The Company originates single-family residential loans for sale, pursuant to programs primarily with the Federal Home Loan Mortgage Corporation ("FHLMC") and other similar third parties. In connection with these programs, at the time the Company initially issues a loan commitment, it does not lock in a specific interest rate. At the time the interest rate is locked in by the borrower, the Company concurrently enters into a forward loan sale agreement with the prospective loan purchaser, at a specific price, in order to manage the interest rate risk inherent to the rate-lock commitment. The forward sale agreement also meets the definition of a derivative instrument. Any change in the fair value of the loan commitment after the borrower locks in the interest rate is substantially offset by the corresponding change in the fair value of the forward loan sale agreement related to such loan. The period from the time the borrower locks in the interest rate, to the time the Company funds the loan and sells the loan to a third party varies, and could be up to 90 days. The fair value of each instrument will rise and fall in response to changes in market interest rates, subsequent to the dates the interest rate locks and forward sale agreements are entered into. In the event that interest rates rise after the Company enters into an interest rate lock, the fair value of the loan commitment will decline. However, the fair value of the forward loan sale agreement related to such loan commitment should increase by substantially the same amount, effectively eliminating the Company's interest rate and price risks.

At March 31, 2024, the Company had \$ 2,437 of loan commitments outstanding related to loans being originated for sale, all of which were subject to interest rate lock commitments and corresponding forward loan sale agreements, as described above. The net fair values of outstanding interest rate-lock commitments and forward sale agreements were considered immaterial to the Company's consolidated financial statements as of March 31, 2024.

Other Comprehensive Income — Accumulated and other comprehensive income or loss is comprised of the unrealized and realized gains and losses on securities available for sale, net of tax, and is shown on the accompanying consolidated statements of comprehensive income.

Operating Segments—While our executive officers monitor the revenue streams of the various banking products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

Reclassifications — Certain items previously reported were reclassified for consistency with the current presentation.

Recent Accounting Pronouncements—The Financial Accounting Standards Board (FASB) issues Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). This section provides a summary description of recent ASUs that have potentially significant implications (elected or required) within the consolidated financial statements, or that management expects may have a significant impact on financial statements issued in the near future.

Recent Accounting Pronouncements—Adopted

ASU 2020-04 and ASU 2021-01, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting— These ASUs provide optional and temporary relief, in the form of optional expedients and exceptions, for applying GAAP to modifications of contracts, hedging relationships and other transactions affected by reference rate (e.g. LIBOR) reforms. ASU 2020-04 and ASU 2021-01 was effective immediately upon issuance and will remain in effect through December 31, 2024. The Company utilizes LIBOR, among other indexes, as a reference rate for underwriting variable rate loans. Reference rate reform has not had, nor does the Company expect it to have, a material effect on the Company's consolidated balance sheet, operations or cash flows.

Recently Issued, But Not Yet Effective Accounting Pronouncements

ASU 2023-07, Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures —This ASU, issued in November 2023, is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This update is effective for fiscal years beginning after December 15, 2023, and interim

periods with fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact and applicability of these new disclosure requirements. As all new requirements are disclosure-related only, adoption will have no material impact on the Company's financial condition or results of operations.

ASU 2023-09, Income Taxes – Improvements to Income Tax Disclosures – This ASU, issued in December 2023, is effective for fiscal years beginning after December 15, 2024 and interim periods therein, with early adoption permitted. This ASU requires expanded income tax-related note disclosures. The Company is currently evaluating the impact of these new disclosure requirements. As all requirements are disclosure-related only, adoption will have no material impact on the Company's financial condition or results of operations.

NOTE 2 – INVESTMENT SECURITIES

The amortized cost and fair value of securities available for sale and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income as of March 31, 2024 and December 31, 2023, respectively, were as follows:

Available for sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2024				
U.S. government agency obligations	\$ 15,835	\$ 62	\$ 169	\$ 15,728
Mortgage-backed securities	89,933	—	19,254	70,679
Corporate debt securities	47,164	29	5,415	41,778
Asset-backed securities	23,632	31	176	23,487
Total available for sale securities	<u>\$ 176,564</u>	<u>\$ 122</u>	<u>\$ 25,014</u>	<u>\$ 151,672</u>
December 31, 2023				
U.S. government agency obligations	\$ 16,655	\$ 77	\$ 156	\$ 16,576
Mortgage-backed securities	91,091	—	17,611	73,480
Corporate debt securities	47,158	6	5,990	41,174
Asset-backed securities	24,840	12	339	24,513
Total available for sale securities	<u>\$ 179,744</u>	<u>\$ 95</u>	<u>\$ 24,096</u>	<u>\$ 155,743</u>

The amortized cost and fair value of securities held to maturity and the corresponding amounts of gross unrecognized gains and losses as of March 31, 2024 and December 31, 2023, respectively, were as follows:

Held to maturity securities	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
March 31, 2024				
Obligations of states and political subdivisions	\$ 500	\$ —	\$ 34	\$ 466
Mortgage-backed securities	89,442	4	19,642	69,804
Total held to maturity securities	<u>\$ 89,942</u>	<u>\$ 4</u>	<u>\$ 19,676</u>	<u>\$ 70,270</u>
December 31, 2023				
Obligations of states and political subdivisions	\$ 600	\$ —	\$ 35	\$ 565
Mortgage-backed securities	90,629	6	17,938	72,697
Total held to maturity securities	<u>\$ 91,229</u>	<u>\$ 6</u>	<u>\$ 17,973</u>	<u>\$ 73,262</u>

At March 31, 2024, the Bank has pledged certain of its mortgage-backed securities with a carrying value of \$ 28,865 as collateral to secure a line of credit with the Federal Reserve Bank. As of March 31, 2024, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of March 31, 2024, the Bank has pledged certain of its U.S. Government Agency securities with a carrying value of \$ 442 and mortgage-backed securities with a carrying value of \$ 1,863 as collateral against specific municipal deposits. As of March 31, 2024, the Bank also has mortgage-backed securities with a carrying value of \$ 151 and U.S. Government Agencies with a carrying value of \$ 396 pledged as collateral to the Federal Home Loan Bank of Des Moines.

At December 31, 2023, the Bank had pledged certain of its mortgage-backed securities with a carrying value of \$ 29,191 as collateral to secure a line of credit with the Federal Reserve Bank. As of December 31, 2023, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of December 31, 2023, the Bank had pledged certain of its U.S. Government Agency securities with a carrying value of \$ 516 and mortgage-backed securities with a carrying value of \$ 1,928 as collateral against specific municipal deposits. As of December 31, 2023, the Bank also had mortgage-backed securities with a carrying value of \$ 179 and U.S. Government Agencies with a carrying value of \$ 415 pledged as collateral to the Federal Home Loan Bank of Des Moines.

For the three month periods ended March 31, 2024, and March 31, 2023, there were no sales of available for sale securities.

The estimated fair value of securities at March 31, 2024 and December 31, 2023, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2024		December 31, 2023	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Available for sale securities				
Due in one year or less	\$ 2,500	\$ 2,491	\$ —	\$ —
Due after one year through five years	11,166	10,920	13,986	13,703
Due after five years through ten years	44,977	39,687	45,549	39,701
Due after ten years	27,988	27,895	29,118	28,859
Total securities with contractual maturities	86,631	80,993	88,653	82,263
Mortgage-backed securities	89,933	70,679	91,091	73,480
Total available for sale securities	\$ 176,564	\$ 151,672	\$ 179,744	\$ 155,743

	March 31, 2024		December 31, 2023	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Held to maturity securities				
Due in one year or less	\$ 100	\$ 97	\$ 100	\$ 100
Due after one year through five years	400	369	500	465
Due after five years through ten years	—	—	—	—
Total securities with contractual maturities	500	466	600	565
Mortgage-backed securities	89,442	69,804	90,629	72,697
Total held to maturity securities	\$ 89,942	\$ 70,270	\$ 91,229	\$ 73,262

Securities with unrealized losses at March 31, 2024 and December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

Available for sale securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2024						
U.S. government agency obligations	\$ 3,592	\$ 9	\$ 3,511	\$ 160	\$ 7,103	\$ 169
Mortgage-backed securities	2	—	70,677	19,254	70,679	19,254
Corporate debt securities	—	—	39,838	5,415	39,838	5,415
Asset-backed securities	—	—	18,676	176	18,676	176
Total	\$ 3,594	\$ 9	\$ 132,702	\$ 25,005	\$ 136,296	\$ 25,014
December 31, 2023						
U.S. government agency obligations	\$ 3,776	\$ 5	\$ 3,627	\$ 151	\$ 7,403	\$ 156
Mortgage-backed securities	—	\$ —	\$ 73,476	\$ 17,611	\$ 73,476	\$ 17,611
Corporate debt securities	3,350	\$ 76	\$ 35,916	\$ 5,914	\$ 39,266	\$ 5,990
Asset-backed securities	3,348	\$ 22	\$ 20,008	\$ 317	\$ 23,356	\$ 339
Total	\$ 10,474	\$ 103	\$ 133,027	\$ 23,993	\$ 143,501	\$ 24,096

At March 31, 2024 no ACL was established for available for sale or held to maturity securities. Substantially all the held to maturity portfolio is made up of agency backed mortgage securities. These securities are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. At March 31, 2024, there were no past due held to maturity securities. Accordingly, the Company does not expect to incur credit losses on these securities. Unrealized losses on available-for-sale investment securities have not been recognized into income because the issuers' bonds are agency backed securities or other securities that all principal and interest is expected to be received on a timely basis. Furthermore, the Company does not intend to sell, and it is likely that management will not be required to sell, the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates. The issuers continue to make timely principal and interest payments on their bonds.

The composition of our available for sale portfolios by credit rating as of the dates indicated below was as follows:

Available for sale securities	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	\$ 97,305	\$ 78,026	\$ 98,977	\$ 81,351
AAA	12,386	12,256	9,695	9,508
AA	19,709	19,613	23,913	23,709
A	8,200	7,465	8,200	7,292
BBB	38,964	34,312	38,959	33,883
Non-rated	—	—	—	—
Total available for sale securities	\$ 176,564	\$ 151,672	\$ 179,744	\$ 155,743

The composition of our held to maturity portfolio by credit rating as of the dates indicated was as follows:

Held to maturity securities	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	\$ 89,442	\$ 69,804	\$ 90,629	\$ 72,697
AAA	—	—	—	—
AA	—	—	—	—
A	500	466	600	565
Total	\$ 89,942	\$ 70,270	\$ 91,229	\$ 73,262

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Portfolio Segments:

Commercial and agricultural real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The level of owner-occupied property versus non-owner-occupied property are tracked and monitored on a regular basis. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Loan-to-value ratios on loans secured by farmland generally do not exceed 75 %.

Commercial and industrial ("C&I") loans are primarily underwritten based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. These cash flows, however, may not be as expected and the value of collateral securing the loans may fluctuate. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. Agricultural operating loans are generally comprised of term loans to fund the purchase of equipment, livestock and seasonal operating lines. Operating lines are typically written for one year and secured by the crop and other farm assets or other business assets, as considered necessary. Agricultural loans carry significant credit risks as they may involve larger balances concentrated with single borrowers or groups of related borrowers. In addition, repayment of such loans depends on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. Farming operations may be affected by adverse weather conditions such as drought, hail or floods that can severely limit crop yields.

Residential mortgage loans are collateralized by primary and secondary positions on real estate and are underwritten primarily based on borrower's documented income, credit scores, and collateral values. Under consumer home equity loan guidelines, the borrower will be approved for a loan based on a percentage of their home's appraised value less the balance owed on the existing first mortgage. Credit risk is minimized within the residential mortgage portfolio due to relatively small loan account balances spread across many individual borrowers. Management evaluates trends in past due loans and current economic factors such as the housing price index on a regular basis.

Consumer installment loans are comprised of originated indirect paper loans secured primarily by boats and recreational vehicles and other consumer loans secured primarily by automobiles and other personal assets. Consumer loan underwriting terms often depend on the collateral type, debt to income ratio and the borrower's creditworthiness as evidenced by their credit score. In the event of a consumer installment loan default, collateral value alone may not provide an adequate source of repayment of the outstanding loan balance. This shortage is a result of the greater likelihood of damage, loss and depreciation for consumer based collateral.

Loans are stated at the principal amount outstanding net of unearned net deferred fees and costs and loans in process, unearned discounts on acquired loans, and allowance for credit losses ("ACL"). Unearned net deferred fees and costs includes deferred loan origination fees reduced by loan origination costs and is amortized to interest income over the life of the related loan using methods that approximated the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding. A summary of loans at March 31, 2024, and December 31, 2023, follows:

	March 31, 2024		December 31, 2023	
	Amortized Cost	% of Total	Amortized Cost	% of Total
Commercial/Agricultural real estate:				
Commercial real estate	\$ 743,630	51.3 %	\$ 748,447	51.2 %
Agricultural real estate	80,267	5.6 %	83,157	5.7 %
Multi-family real estate	235,318	16.2 %	228,004	15.6 %
Construction and land development	93,055	6.4 %	110,218	7.5 %
C&I/Agricultural operating:				
Commercial and industrial	128,011	8.8 %	121,190	8.3 %
Agricultural operating	26,244	1.8 %	25,695	1.8 %
Residential mortgage:				
Residential mortgage	129,139	8.9 %	128,479	8.8 %
Purchased HELOC loans	2,895	0.2 %	2,880	0.2 %
Consumer installment:				
Originated indirect paper	5,851	0.4 %	6,535	0.4 %
Other consumer	5,749	0.4 %	6,187	0.4 %
Total loans receivable	\$ 1,450,159	100 %	\$ 1,460,792	100 %
Less Allowance for credit losses	(22,436)		(22,908)	
Net loans receivable	\$ 1,427,723		\$ 1,437,884	

Credit Quality/Risk Ratings:

Management utilizes a numeric risk rating system to identify and quantify the Bank's risk of loss within its commercial/agricultural real estate and commercial and industrial/agricultural operating loan portfolios. Ratings are initially assigned prior to funding the loan, and may be changed at any time as circumstances warrant.

Ratings range from the highest to lowest quality based on factors that include measurements of ability to pay, collateral type and value, borrower stability and management experience. The Bank's loan portfolio ratings are presented below in accordance with the risk rating framework that has been commonly adopted by the federal banking agencies. The definitions of the various risk rating categories are as follows:

1 through 4 - Pass. A "Pass" loan means that the condition of the borrower and the performance of the loan is satisfactory or better.

5 - Watch. A "Watch" loan has clearly identifiable developing weaknesses that deserve additional attention from management. Weaknesses that are not corrected or mitigated, may jeopardize the ability of the borrower to repay the loan in the future.

6 - Special Mention. A "Special Mention" loan has one or more potential weakness that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position in the future.

7 - Substandard. A "Substandard" loan is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Assets classified as substandard must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

8 - Doubtful. A "Doubtful" loan has all the weaknesses inherent in a Substandard loan with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

9 - Loss. Loans classified as "Loss" are considered uncollectible, and their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, and a partial recovery may occur in the future.

As of March 31, 2024, and December 31, 2023, there were no loans classified as doubtful with a risk rating of 8 and no loans classified as loss with a risk rating of 9.

Residential and consumer loans are typically not rated until they are past due 90 days at month-end which is why they are classified as pass graded 1-5 and once past due or have a history of delinquencies, get assigned a grade 7.

Below is a summary of the amortized cost of loans summarized by class, credit quality risk rating and year of origination as of March 31, 2024, and gross charge-offs for the three months ended March 31, 2024:

Continued

Amortized Cost Basis by Origination Year

	2024	2023	2022	2021	2020	Prior	Revolving	Revolving to Term	Total
Residential mortgage:									
Residential mortgage									
Risk rating 1 to 5	\$ 2,793	\$ 30,478	\$ 33,007	\$ 7,933	\$ 2,326	\$ 34,157	\$ 15,434	\$ —	\$ 126,128
Risk rating 7	—	—	135	—	—	2,876	—	—	3,011
Total	\$ 2,793	\$ 30,478	\$ 33,142	\$ 7,933	\$ 2,326	\$ 37,033	\$ 15,434	\$ —	\$ 129,139
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Purchased HELOC loans									
Risk rating 1 to 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,895	\$ —	\$ 2,895
Risk rating 7	—	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,895	\$ —	\$ 2,895
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer installment:									
Originated indirect paper									
Risk rating 1 to 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,805	\$ —	\$ —	\$ 5,805
Risk rating 7	—	—	—	—	—	46	—	—	46
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,851	\$ —	\$ —	\$ 5,851
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Other consumer									
Risk rating 1 to 5	\$ 428	\$ 1,873	\$ 1,306	\$ 625	\$ 494	\$ 522	\$ 491	\$ —	\$ 5,739
Risk rating 7	—	7	1	—	—	1	1	—	10
Total	\$ 428	\$ 1,880	\$ 1,307	\$ 625	\$ 494	\$ 523	\$ 492	\$ —	\$ 5,749
Current period gross charge-offs	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ 4
Total loans receivable	\$ 24,571	\$ 196,312	\$ 304,894	\$ 404,396	\$ 162,893	\$ 277,827	\$ 79,266	\$ —	\$ 1,450,159
Total current period gross charge-offs	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 1	\$ 2	\$ —	\$ 5

Below is a summary of the amortized cost of loans summarized by class, credit quality risk rating and year of origination as of December 31, 2023, and gross charge-offs for the twelve months ended December 31, 2023:

Continued

Amortized Cost Basis by Origination Year

	2023	2022	2021	2020	2019	Prior	Revolving	Revolving to Term	Total
Residential mortgage:									
Residential mortgage									
Risk rating 1 to 5	\$ 28,808	\$ 33,660	\$ 8,743	\$ 2,610	\$ 2,292	\$ 33,744	\$ 15,544	\$ —	\$ 125,401
Risk rating 7	—	141	—	—	14	2,875	—	48	3,078
Total	\$ 28,808	\$ 33,801	\$ 8,743	\$ 2,610	\$ 2,306	\$ 36,619	\$ 15,544	\$ 48	\$ 128,479
Current period gross charge-offs	\$ —	\$ —	\$ 10	\$ —	\$ —	\$ 68	\$ —	\$ —	\$ 78
Purchased HELOC loans									
Risk rating 1 to 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,880	\$ —	\$ 2,880
Risk rating 7	—	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,880	\$ —	\$ 2,880
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer installment:									
Originated indirect paper									
Risk rating 1 to 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,491	\$ —	\$ —	\$ 6,491
Risk rating 7	—	—	—	—	—	44	—	—	44
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,535	\$ —	\$ —	\$ 6,535
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13	\$ —	\$ —	\$ 13
Other consumer									
Risk rating 1 to 5	\$ 2,104	\$ 1,525	\$ 763	\$ 559	\$ 402	\$ 274	\$ 530	\$ 1	\$ 6,158
Risk rating 7	9	2	—	—	16	1	1	—	29
Total	\$ 2,113	\$ 1,527	\$ 763	\$ 559	\$ 418	\$ 275	\$ 531	\$ 1	\$ 6,187
Current period gross charge-offs	\$ —	\$ 2	\$ 1	\$ 11	\$ 3	\$ 6	\$ —	\$ —	\$ 23
Total loans receivable	\$ 190,301	\$ 313,863	\$ 420,211	\$ 172,168	\$ 93,413	\$ 201,004	\$ 69,766	\$ 66	\$ 1,460,792
Total current period gross charge-offs	\$ —	\$ 2	\$ 21	\$ 43	\$ 3	\$ 91	\$ —	\$ —	\$ 160

Allowance for Credit Losses - Loans- On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial instruments and transitioned to the Current Expected Credit Loss ("CECL") model to estimate losses based on the lifetime of the loan. Under the new methodology, the ACL is comprised of collectively evaluated and individually evaluated components. The allowance for credit losses ("ACL") represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, the borrowers who might be facing financial difficulty. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and modifications, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. The Company estimates the appropriate level of allowance for credit losses by evaluating loans collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that a loan does not share similar risk characteristics with other loans.

The following tables present the balance and activity in the allowance for credit losses ("ACL") - loans by portfolio segment for the three months ended March 31, 2024:

	Commercial/Agricultural Real Estate		C&I/Agricultural operating		Residential Mortgage		Consumer Installment		Total	
Three months ended March 31, 2024										
Allowance for Credit Losses - Loans:										
ACL - Loans, at beginning of period	\$ 18,784	\$ 1,105	\$ 2,744	\$ 275	\$ 22,908					
Charge-offs	—	—	—	(5)	(5)					
Recoveries	39	15	1	3	58					
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(568)	46	20	(23)	(525)					
ACL - Loans, at end of period	<u>\$ 18,255</u>	<u>\$ 1,166</u>	<u>\$ 2,765</u>	<u>\$ 250</u>	<u>\$ 22,436</u>					

The following table presents the balance and activity in the allowance for credit losses ("ACL") - loans by portfolio segment for the three months ended March 31, 2023:

	Commercial/Agricultural Real Estate		C&I/Agricultural operating		Residential Mortgage		Consumer Installment		Unallocated	Total		
Three months ended March 31, 2023												
Allowance for Credit Losses - Loans:												
ACL - Loans, at beginning of period	\$ 14,085	\$ 2,318	\$ 599	\$ 129	\$ 808	\$ 17,939						
Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)	4,706						
Charge-offs	(32)	—	(14)	(11)	—	(57)						
Recoveries	3	15	4	12	—	34						
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(70)	(154)	292	(11)	—	57						
ACL - Loans, at end of period	<u>\$ 18,496</u>	<u>\$ 1,848</u>	<u>\$ 2,000</u>	<u>\$ 335</u>	<u>\$ —</u>	<u>\$ 22,679</u>						

The following table presents the balance and activity in the allowance for credit losses ("ACL") - loans by portfolio segment for the twelve months ended December 31, 2023:

	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Twelve months ended December 31, 2023						
Allowance for Credit Losses - Loans:						
ACL - Loans, at beginning of period	\$ 14,085	\$ 2,318	\$ 599	\$ 129	\$ 808	\$ 17,939
Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)	4,706
Charge-offs	(46)	—	(78)	(36)	—	(160)
Recoveries	489	47	42	33	—	611
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(254)	(929)	1,062	(67)	—	(188)
ACL - Loans, at end of period	<u>\$ 18,784</u>	<u>\$ 1,105</u>	<u>\$ 2,744</u>	<u>\$ 275</u>	<u>\$ —</u>	<u>\$ 22,908</u>

Allowance for Credit Losses - Unfunded Commitments - In addition to the ACL - Loans, the Company has established an ACL - Unfunded Commitments of \$ 975 at March 31, 2024, and \$ 1,250 at December 31, 2023, classified in other liabilities on the consolidated balance sheets. The following table presents the balance and activity in the ACL - Unfunded Commitments for the three months ended March 31, 2024, and the twelve months ended December 31, 2023.

	March 31, 2024 and Three Months Ended	December 31, 2023 and Twelve Months Ended
ACL - Unfunded Commitments - beginning of period	\$ 1,250	\$ —
Cumulative effect of ASU 2016-13 adoption	—	1,537
Additions to ACL - Unfunded Commitments via provision for credit losses charged to operations	(275)	(287)
ACL - Unfunded Commitments - End of period	<u>\$ 975</u>	<u>\$ 1,250</u>

Provision for credit losses - The provision for credit losses is determined by the Company as the amount to be added to the ACL loss accounts for various types of financial instruments (including loans and off-balance sheet credit exposures) after net charge-offs have been deducted to bring the ACL to a level that, in management's judgement, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The following table presents the components of the provision for credit losses.

	March 31, 2024 and Three Months Ended	March 31, 2023 and Three Months Ended
Provision for credit losses on:		
Loans	\$ (525)	\$ 57
Unfunded Commitments	(275)	(7)
Total provision for credit losses	<u>\$ (800)</u>	<u>\$ 50</u>

An aging analysis of the Company's commercial/agricultural real estate, C&I, agricultural operating, residential mortgage, consumer installment and purchased third party loans as of March 31, 2024, and December 31, 2023, respectively, was as follows:

(Loan balances at amortized cost)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total Loans
March 31, 2024						
Commercial/Agricultural real estate:						
Commercial real estate	\$ —	\$ 50	\$ 491	\$ 541	\$ 743,089	\$ 743,630
Agricultural real estate	87	—	354	441	79,826	80,267
Multi-family real estate	—	—	—	—	235,318	235,318
Construction and land development	—	—	—	—	93,055	93,055
C&I/Agricultural operating:						
Commercial and industrial	373	—	437	810	127,201	128,011
Agricultural operating	71	15	1,106	1,192	25,052	26,244
Residential mortgage:						
Residential mortgage	1,741	365	757	2,863	126,276	129,139
Purchased HELOC loans	—	117	—	117	2,778	2,895
Consumer installment:						
Originated indirect paper	35	—	12	47	5,804	5,851
Other consumer	19	—	3	22	5,727	5,749
	2,326	547	3,160		1,444,126	1,450,159
Total	\$	\$	\$	\$ 6,033	\$	\$
 (Loan balances at amortized cost)						
December 31, 2023						
Commercial/Agricultural real estate:						
Commercial real estate	\$ 50	\$ 308	\$ 5,579	\$ 5,937	\$ 742,510	\$ 748,447
Agricultural real estate	30	—	361	391	82,766	83,157
Multi-family real estate	—	—	—	—	228,004	228,004
Construction and land development	—	—	54	54	110,164	110,218
C&I/Agricultural operating:						
Commercial and industrial	248	—	—	248	120,942	121,190
Agricultural operating	—	—	1,179	1,179	24,516	25,695
Residential mortgage:						
Residential mortgage	856	583	1,023	2,462	126,017	128,479
Purchased HELOC loans	117	—	—	117	2,763	2,880
Consumer installment:						
Originated indirect paper	66	—	12	78	6,457	6,535
Other consumer	38	—	20	58	6,129	6,187
	1,405	891	8,228	10,524	1,450,268	1,460,792
Total	\$	\$	\$	\$	\$	\$

Nonaccrual Loans - The following tables present the amortized cost basis of loans on nonaccrual status and of nonaccrual loans individually evaluated at March 31, 2024, December 31, 2023, and March 31, 2023, with no allowance for credit losses and interest income that would have been recorded under the original terms of such nonaccrual loans:

<u>March 31, 2024</u>		Total Nonaccrual Loans		Nonaccrual with no Allowance for Credit Losses		Interest Income Not Recorded for Nonaccrual loans
Commercial/Agricultural real estate:						
Commercial real estate	\$	5,340	\$	5,125	\$	124
Agricultural real estate		382		383		7
C&I/Agricultural operating:						
Commercial and industrial		440		289		8
Agricultural operating		1,106		1,106		34
Residential mortgage:						
Residential mortgage		1,127		900		32
Consumer installment:						
Originated indirect paper		17		17		—
Other consumer		1		1		—
Total	\$	8,413	\$	7,821	\$	205

<u>December 31, 2023</u>		Total Nonaccrual Loans		Nonaccrual with no Allowance for Credit Losses		Interest Income Not Recorded for Nonaccrual loans
Commercial/Agricultural real estate:						
Commercial real estate	\$	10,359	\$	10,347	\$	497
Agricultural real estate		391		391		46
Construction and land development		54		54		1
C&I/Agricultural operating:						
Agricultural operating		1,180		1,180		120
Residential mortgage:						
Residential mortgage		1,167		934		68
Consumer installment:						
Originated indirect paper		15		15		1
Other consumer		18		18		1
Total	\$	13,184	\$	12,939	\$	734

March 31, 2023	Total Nonaccrual Loans	Nonaccrual with no Allowance for Credit Losses	Interest Income Not Recorded for Nonaccrual loans
Commercial/Agricultural real estate:			
Commercial real estate	\$ 5,514	\$ 636	\$ 20
Agricultural real estate	2,496	1,252	69
C&I/Agricultural operating:			
Commercial and industrial	452	15	8
Agricultural operating	794	358	55
Residential mortgage:			
Residential mortgage	1,131	825	12
Consumer installment:			
Originated indirect paper	21	21	1
Other consumer	2	2	—
Total	\$ 10,410	\$ 3,109	\$ 165

The Company's policy is to discontinue the accrual of interest income on all loans for which principal or interest is past due according to the following schedules:

- Commercial/agricultural real estate loans, past due 90 days or more;
- Commercial and industrial/agricultural operating loans past due 90 days or more;
- Closed ended consumer installment loans past due 120 days or more; and
- Residential mortgage and open ended consumer installment loans past due 180 days or more.

The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Interest on loans determined to be modified is recognized on an accrual basis in accordance with the restructured terms if the loan is in compliance with the modified terms. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

The amount of interest income recognized by the Company for the three months ended March 31, 2024, and March 31, 2023, due to nonaccrual loan payoffs was \$ 600 and \$ 10 , respectively.

Collateral Dependent Loans - A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present the amortized cost basis of collateral dependent loans by portfolio segment and collateral type that were individually evaluated to determine expected credit losses and the related allowance for credit losses as of March 31, 2024, and December 31, 2023.

March 31, 2024	Collateral Type			Without an Allowance	With an Allowance	Allowance Allocation
	Real Estate	Other Assets	Total			
Commercial/Agricultural real estate:						
Commercial real estate	\$ 10,040	\$ —	\$ 10,040	\$ 8,411	\$ 1,629	\$ 193
Agricultural real estate	6,524	—	6,524	6,524	—	—
Construction and land development	258	—	258	258	—	—
C&I/Agricultural operating:						
Commercial and industrial	—	2,757	2,757	2,607	150	12
Agricultural operating	—	1,106	1,106	1,106	—	—
Residential mortgage:						
Residential mortgage	3,077	—	3,077	2,536	541	85
Consumer installment:						
Originated indirect paper	—	46	46	46	—	—
Other consumer	—	10	10	10	—	—
Total	\$ 19,899	\$ 3,919	\$ 23,818	\$ 21,498	\$ 2,320	\$ 290

December 31, 2023	Collateral Type			Without an Allowance	With an Allowance	Allowance Allocation
	Real Estate	Other Assets	Total			
Commercial/Agricultural real estate:						
Commercial real estate	\$ 15,086	\$ —	\$ 15,086	\$ 11,350	\$ 3,736	\$ 703
Agricultural real estate	6,605	—	6,605	6,605	—	—
Construction and land development	313	—	313	313	—	—
C&I/Agricultural operating:						
Commercial and industrial	—	2,219	2,219	2,219	—	—
Agricultural operating	—	1,181	1,181	1,181	—	—
Residential mortgage:						
Residential mortgage	3,145	—	3,145	2,591	554	88
Consumer installment:						
Originated indirect paper	—	44	44	44	—	—
Other consumer	—	29	29	29	—	—
Total	\$ 25,149	\$ 3,473	\$ 28,622	\$ 24,332	\$ 4,290	\$ 791

There were no outstanding commitments to borrowers experiencing financial difficulty as of March 31, 2024. There were unused lines of credit totaling \$ 459 on loans with borrowers experiencing financial difficulties as of March 31, 2024.

The tables below detail Loan Modifications Made to Borrowers Experiencing Financial Difficulty during the three months ended March 31, 2024:

Loan Class	Term Extension		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Commercial and industrial	\$ 2,300	1.80	%

Loan Class	Other-Than-Insignificant Payment Delay		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Residential mortgage	\$ 82	0.06	%

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024:

Loan Class	Term Extension		
	Financial Effect		
Commercial and industrial	A weighted average of 11 months was added to the term of the loans		

Loan Class	Other-Than-Insignificant Payment Delay		
	Financial Effect		
Residential mortgage	Payments were deferred a weighted average of 3 months		

The tables below detail Loan Modifications Made to Borrowers Experiencing Financial Difficulty during the twelve months ended March 31, 2024:

Loan Class	Term Extension		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Commercial real estate	\$ 4,564	0.61	%
Commercial and industrial	\$ 2,300	1.80	%

Loan Class	Other-Than-Insignificant Payment Delay		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Residential mortgage	\$ 151	0.12	%

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the twelve months ended March 31, 2024:

Loan Class	Term Extension		
	Financial Effect		
Commercial real estate	A weighted average of 20 months was added to the term of the loans		
Commercial and industrial	A weighted average of 11 months was added to the term of the loans		

Loan Class	Other-Than-Insignificant Payment Delay		
	Financial Effect		
Residential mortgage	Payments were deferred a weighted average of 4 months		

The tables below detail Loan Modifications Made to Borrowers Experiencing Financial Difficulty during the three months ended March 31, 2023:

Loan Class	Term Extension		
	Amortized Cost Basis at March 31, 2023		% of Total Class of Financing Receivables
Commercial real estate	\$ 5,359		0.74 %
Commercial and industrial	\$ 25		0.02 %
Residential mortgage	\$ 38		0.03 %

Loan Class	Other-Than-Insignificant Payment Delay		
	Amortized Cost Basis at March 31, 2023		% of Total Class of Financing Receivables
Other consumer	\$ 22		0.33 %

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2023:

Loan Class	Financial Effect	
	A weighted average of 6 months was added to the term of the loans	
Commercial real estate		A weighted average of 5 months was added to the term of the loans
Commercial and industrial		A weighted average of 17 months was added to the term of the loans
Residential mortgage		

Loan Class	Other-Than-Insignificant Payment Delay	
	Financial Effect	
Other consumer	Payments were deferred a weighted average of 0.3 months	

The Company closely monitors the performance of loans that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

The following table shows the performance of such loans that have been modified during the twelve months ended March 31, 2024.

	30-59 Days Past Due				60-89 Days Past Due	Greater Than 89 Days Past Due
	Current	Due	Due	Days Past Due		
Commercial real estate	\$ 4,564	\$ —	\$ —	\$ —		
Commercial and industrial	2,300	—	—	—		
Residential mortgage	82	—	—	—		69
Total	\$ 6,946	\$ —	\$ —	\$ —	\$ —	69

No loan modified during the three months ended March 31, 2023 has subsequently defaulted. The following table shows the performance of such loans that have been modified during the three months ended March 31, 2023.

	30-59 Days Past Due				60-89 Days Past Due	Greater Than 89 Days Past Due
	Current	Due	Due	Days Past Due		
Commercial real estate	\$ 5,359	\$ —	\$ —	\$ —		
Commercial and industrial	25	—	—	—		
Residential mortgage	38	—	—	—		
Other consumer	22	—	—	—		
Total	\$ 5,444	\$ —	\$ —	\$ —		

NOTE 4 – MORTGAGE SERVICING RIGHTS

Mortgage servicing rights--Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid balances of these loans as of March 31, 2024 and December 31, 2023 were \$ 489,740 and \$ 495,531 , respectively, and consisted of one to four family residential real estate loans. These loans are serviced primarily for the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and the Federal National Mortgage Association. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in deposits were \$ 5,008 and \$ 2,665 at March 31, 2024 and December 31, 2023, respectively.

Mortgage servicing rights activity for the three month periods ended March 31, 2024 and March 31, 2023 were as follows:

	As of and for the Three Months Ended	As of and for the Three Months Ended
	March 31, 2024	March 31, 2023
Mortgage servicing rights:		
Mortgage servicing rights, beginning of period	\$ 3,865	\$ 4,262
Increase in mortgage servicing rights resulting from transfers of financial assets	57	16
Amortization during the period	(143)	(158)
Mortgage servicing rights, end of period	<u>3,779</u>	<u>4,120</u>
Valuation allowance:		
Valuation allowance, beginning of period	—	—
Additions	(5)	—
Recoveries	—	—
Valuation allowance, end of period	<u>(5)</u>	<u>—</u>
Mortgage servicing rights, net	<u>\$ 3,774</u>	<u>\$ 4,120</u>
Fair value of mortgage servicing rights; end of period	<u>\$ 5,442</u>	<u>\$ 5,482</u>

The current period change in valuation allowance, if applicable, is included in non-interest expense as mortgage servicing rights expense, net on the consolidated statement of operations. Servicing fees totaled \$ 311 and \$ 330 for the three months ended March 31, 2024 and March 31, 2023, respectively. Servicing fees are included in loan servicing income on the consolidated statement of operations. Late fees and ancillary fees related to loan servicing are not material.

To estimate the fair value of the MSR asset, a valuation model is applied at the loan level to calculate the present value of the expected future cash flows. The valuation model incorporates various assumptions that would impact market participants' estimations of future servicing income. Central to the valuation model is the discount rate. Fair value at March 31, 2024, was determined using discount rates ranging from 9.75 % to 12.75 %. Fair value at March 31, 2023, was determined using discount rates ranging from 9 % to 12 %. Other assumptions utilized in the valuation model include, but are not limited to, prepayment speed, servicing costs, delinquencies, costs of advances, foreclosure costs, ancillary income, and income earned on float and escrow.

NOTE 5 – LEASES

We have operating leases for 1 corporate office, 4 bank branch offices, 1 former bank branch office, and 1 ATM location. Our leases have remaining lease terms ranging from approximately 0.42 to 4.25 years. Some of the leases include an option to extend, the longest of which is for two 5 year terms. As of March 31, 2024, we have no lease commitments that have not yet commenced. The Company also leases a portion of some of its facilities and receives rental income from such lease agreements, all of which are considered operating leases.

	Three Months Ended	
	March 31, 2024	March 31, 2023
The components of total lease cost were as follows:		
Operating lease cost	\$ 127	\$ 129
Variable lease cost	16	13
Total lease cost	<u><u>\$ 143</u></u>	<u><u>\$ 142</u></u>
The components of total lease income were as follows:		
Operating lease income	\$ 11	\$ 9
Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 136	\$ 138
March 31, 2024		December 31, 2023
Supplemental balance sheet information related to leases was as follows:		
Operating lease right-of-use assets (1)	\$ 1,303	\$ 1,477
Operating lease liabilities (2)	\$ 1,568	\$ 1,686
Weighted average remaining lease term in years; operating leases	3.71	3.94
Weighted average discount rate; operating leases	3.21 %	3.20 %

(1) Operating lease right-of-use assets are recorded as other assets in the consolidated balance sheets.

(2) Operating lease liabilities are recorded as other liabilities in the consolidated balance sheets.

Cash obligations and receipts under lease contracts are as follows:

Fiscal years ending December 31,	Payments	Receipts
2024	413	28
2025	534	15
2026	458	7
2027	401	—
2028	55	—
Thereafter	—	—
Total	<u><u>\$ 1,861</u></u>	<u><u>\$ 50</u></u>
Less: effects of discounting	<u><u>(293)</u></u>	
Lease liability recognized	<u><u>\$ 1,568</u></u>	

NOTE 6 – DEPOSITS

The following is a summary of deposits by type at March 31, 2024 and December 31, 2023, respectively:

	March 31, 2024	December 31, 2023
Non-interest bearing demand deposits	\$ 248,537	\$ 265,704
Interest bearing demand deposits	361,278	343,276
Savings accounts	177,595	176,548
Money market accounts	387,879	374,055
Certificate accounts	352,200	359,509
Total deposits	<hr/> \$ 1,527,489	<hr/> \$ 1,519,092

At March 31, 2024, the scheduled maturities of certificate accounts were as follows for the year ended, except December 31, 2024, which is the nine months ended:

December 31, 2024	\$ 311,938
December 31, 2025	30,976
December 31, 2026	2,770
December 31, 2027	641
December 31, 2028	5,782
After December 31, 2028	93
Total	<hr/> \$ 352,200

Certificate accounts of \$250 or more were \$ 89,678 and \$ 103,802 at March 31, 2024 and December 31, 2023, respectively.

Brokered deposits were \$ 83,936 at March 31, 2024 and consisted of \$ 43,507 of brokered certificate accounts and \$ 40,429 of brokered money market accounts. Brokered Deposits were \$ 98,259 at December 31, 2023 and consisted of \$ 58,209 of brokered certificate accounts and \$ 40,050 of brokered money market accounts.

At March 31, 2024, the scheduled maturities of brokered certificate accounts were as follows for the year ended, except December 31, 2024, which is the nine months ended:

December 31, 2024	\$ 29,384
December 31, 2025 (1)	8,634
December 31, 2028 (1)	5,489
Total	<hr/> \$ 43,507

(1) The Company can call the brokered certificate accounts maturing in the years ended December 31, 2025 and 2028, monthly beginning in March 2024.

NOTE 7 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

A summary of Federal Home Loan Bank advances and other borrowings at March 31, 2024 and December 31, 2023, is as follows:

	March 31, 2024							December 31, 2023							
	Stated Maturity	Amount	Range of Stated Rates				Stated Maturity	Amount	Range of Stated Rates				Stated Maturity	Amount	
Federal Home Loan Bank advances (1), (2), (3) (4)	2024	\$ 24,500	1.44	%	5.45	%	2024	\$ 64,530	0.00	%	5.45	%	2025	\$ 5,000	
	2025	5,000	1.45	%	1.45	%	2025	5,000	1.45	%	1.45	%	2028	10,000	
	2028	10,000	3.82	%	3.82	%	2028	10,000	3.82	%	3.82	%	2028	10,000	
Federal Home Loan Bank advances		\$ 39,500						\$ 79,530							
Senior Notes (5)		2034	\$ 18,083	6.75	%	7.50	%	2034	\$ 18,083	6.75	%	7.75	%	2034	\$ 18,083
Subordinated Notes (6)		2030	\$ 15,000	6.00	%	6.00	%	2030	\$ 15,000	6.00	%	6.00	%	2032	\$ 35,000
		2032	35,000	4.75	%	4.75	%	2032	35,000	4.75	%	4.75	%	2032	\$ 35,000
			\$ 50,000						\$ 50,000						
Unamortized debt issuance costs			(560)						(618)						
Total other borrowings			\$ 67,523						\$ 67,465						
			107,023												
Totals			\$						\$						
			<u><u>\$ 146,995</u></u>						<u><u>\$ 146,995</u></u>						

(1) The FHLB advances bear fixed rates, require interest-only monthly payments, and are collateralized by a blanket lien on pre-qualifying first mortgages, home equity lines, multi-family loans and certain other loans which had a pledged balance of \$ 1,115,197 and \$ 1,106,267 at March 31, 2024 and December 31, 2023, respectively. At March 31, 2024, the Bank's available and unused portion under the FHLB borrowing arrangement was approximately \$ 397,182 compared to \$ 370,569 as of December 31, 2023.

(2) Maximum month-end borrowed amounts outstanding under this borrowing agreement were \$ 64,000 and \$ 217,530 , during the three months ended March 31, 2024 and the twelve months ended December 31, 2023, respectively.

(3) The weighted-average interest rate on FHLB borrowings maturing within twelve months as of March 31, 2024 and December 31, 2023 were 2.73 % and 4.16 %, respectively.

(4) FHLB term notes totaling \$ 10,000 , with 2028 maturity dates, are callable once by the FHLB in June of 2024.

(5) Senior notes, entered into by the Company in June 2019 consist of the following:

(a) A term note, which was subsequently refinanced in March 2022 and modified in February of 2023, requiring quarterly interest-only payments through March 2027, and quarterly principal and interest payments thereafter. Interest is variable, based on US Prime rate minus 75 basis points with a floor rate of 3.00 %.

(b) A \$ 5,000 line of credit, maturing August 1, 2024, that remains undrawn upon.

(6) Subordinated notes resulted from the following:

(a) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in August 2020, which bears a fixed interest rate of 6.00 % for five years . In September 2025, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 591 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

(b) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in March 2022, which bears a fixed interest rate of 4.75 % for five years . In April 2027, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 329 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

Federal Home Loan Bank Letters of Credit

The Bank has an irrevocable Standby Letter of Credit Master Reimbursement Agreement with the Federal Home Loan Bank. This irrevocable standby letter of credit ("LOC") is supported by loan collateral as an alternative to directly pledging investment securities on behalf of a municipal customer as collateral for their interest bearing deposit balances. The letters of credit balances were \$ 442,500 and \$ 452,280 at March 31, 2024 and December 31, 2023, respectively.

Federal Reserve Borrowings

At March 31, 2024 and December 31, 2023, the Bank had the ability to borrow \$ 21,618 and \$ 22,417 from the Federal Reserve Bank of Minneapolis. The ability to borrow is based on mortgage-backed securities pledged with a carrying value of \$ 28,865 and \$ 29,191 as of March 31, 2024, and December 31, 2023, respectively. There were no Federal Reserve borrowings outstanding as of March 31, 2024, and December 31, 2023.

Federal Funds Purchased Lines of Credit

As of March 31, 2024, the Bank maintains two unsecured federal funds purchased lines of credit with its banking partners which total \$ 70,000 . As of December 31, 2023, the Bank maintained three unsecured federal funds purchased lines of credit with its banking partners which totaled \$ 70,000 . These lines bear interest at the lender bank's announced daily federal funds rate, mature daily and are revocable at the discretion of the lending institution. There were no borrowings outstanding on these lines of credit as of March 31, 2024 or December 31, 2023.

NOTE 8 - CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Although these terms are not used to represent overall financial condition, if adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At March 31, 2024, the Bank was categorized as "Well Capitalized", under Prompt Corrective Action Provisions.

The Bank's Tier 1 (leverage) and risk-based capital ratios at March 31, 2024, and December 31, 2023, respectively, are presented below:

	For Capital Adequacy Purposes				To Be Well Capitalized			
	Actual		Under Prompt Corrective Action Provisions		As of			
	Amount	Ratio	Amount	Ratio	Amount	Ratio	March 31, 2024	
<u>As of</u> <u>March 31,</u> <u>2024</u>								
Total capital (to risk weighted assets)	\$ 229,819	14.9 %	\$ 123,277	> 8.0 %	\$ 154,097	> 10.0 %		
Tier 1 capital (to risk weighted assets)	210,507	13.7 %	92,458	> 6.0 %	123,277	> 8.0 %		
Common equity tier 1 capital (to risk weighted assets)	210,507	13.7 %	69,344	> 4.5 %	100,163	> 6.5 %		
Tier 1 leverage ratio (to adjusted total assets)	210,507	11.7 %	72,000	> 4.0 %	90,000	> 5.0 %		
<u>As of</u> <u>December 31,</u> <u>2023</u>								
Total capital (to risk weighted assets)	\$ 228,092	14.6 %	\$ 124,883	> 8.0 %	\$ 156,104	> 10.0 %		
Tier 1 capital (to risk weighted assets)	208,726	13.4 %	93,662	> 6.0 %	124,883	> 8.0 %		
Common equity tier 1 capital (to risk weighted assets)	208,726	13.4 %	70,247	> 4.5 %	101,468	> 6.5 %		
Tier 1 leverage ratio (to adjusted total assets)	208,726	11.5 %	72,479	> 4.0 %	90,599	> 5.0 %		

The Company's Tier 1 (leverage) and risk-based capital ratios at March 31, 2024 and December 31, 2023, respectively, are presented below:

	For Capital Adequacy			
	Actual		Purposes	
	Amount	Ratio	Amount	Ratio
<i>As of March 31, 2024</i>				
Total capital (to risk weighted assets)	\$ 229,366	14.9 %	\$ 123,277	> = 8.0 %
Tier 1 capital (to risk weighted assets)	160,054	10.4 %	92,458	> = 6.0 %
Common equity tier 1 capital (to risk weighted assets)	160,054	10.4 %	69,344	> = 4.5 %
Tier 1 leverage ratio (to adjusted total assets)	160,054	8.9 %	72,000	> = 4.0 %
<i>As of December 31, 2023</i>				
Total capital (to risk weighted assets)	\$ 230,160	14.7 %	\$ 124,883	> = 8.0 %
Tier 1 capital (to risk weighted assets)	160,794	10.3 %	93,662	> = 6.0 %
Common equity tier 1 capital (to risk weighted assets)	160,794	10.3 %	70,247	> = 4.5 %
Tier 1 leverage ratio (to adjusted total assets)	160,794	8.9 %	72,479	> = 4.0 %

NOTE 9 – STOCK-BASED AND OTHER COMPENSATION

On March 27, 2018, the stockholders of Citizens Community Bancorp, Inc. approved the 2018 Equity Incentive Plan. The aggregate number of shares of common stock initially reserved and available for issuance under the 2018 Equity Incentive Plan was 350,000 shares. As of March 31, 2024, 315,947 restricted shares had been granted under this plan. This amount includes 8,805 shares of performance based restricted stock granted in 2021 and issued in January 2024 upon achievement of the performance criteria and completion of the three year performance period beginning in January 2021 and ending December 31, 2023. The amount also includes 18,551 shares of performance based restricted stock granted in 2020 and issued in January 2023 upon achievement of the performance criteria and completion of the three year performance period beginning in January 2020 and ending December 31, 2022. As of March 31, 2024, no stock options had been granted under this plan.

In February 2008, the Company's stockholders approved the Company's 2008 Equity Incentive Plan for a term of 10 years. Due to the plan's expiration, no new awards can be granted under this plan. As of March 31, 2024, there are no awarded unvested restricted shares, and 54,000 awarded unexercised vested options remaining from the plan. Options granted under this plan vested pro rata over a five-year period from the grant date and were fully vested as of October 2022. Unexercised incentive stock options expire within 10 years of the grant date.

Net compensation expense related to restricted stock awards from these plans was \$ 158 for the three months ended March 31, 2024, compared to \$ 216 for the three months ended March 31, 2023.

Restricted Common Stock Award

	March 31, 2024		December 31, 2023	
	Number of Shares	Weighted Average Grant Price	Number of Shares	Weighted Average Grant Price
Restricted Shares				
Unvested and outstanding at beginning of year	75,601	\$ 12.41	75,626	\$ 12.30
Granted	16,955	11.88	50,606	12.36
Vested	(34,930)	12.27	(45,879)	12.24
Forfeited	—	—	(4,752)	11.78
Unvested and outstanding at end of period	<u>57,626</u>	\$ 12.34	<u>75,601</u>	\$ 12.41

	March 31, 2024	
	Number of Shares	Weighted Average Grant Price
Performance Based Restricted Shares		
Unvested at beginning of year	41,993	\$ 12.61
Granted	—	—
Vested and issued	(8,805)	10.78
Forfeited	—	—
Unvested at end of period	<u>33,188</u>	\$ 13.09

The Company accounts for stock option-based employee compensation related to the Company's 2008 Equity Incentive Plan using the fair-value-based method. Accordingly, management records compensation expense based on the value of the award as measured on the grant date and then the Company recognizes that cost over the vesting period for the award. The compensation cost recognized for stock option-based employee compensation related to the 2008 plan for the three month periods ended March 31, 2024, and March 31, 2023, was \$ 0 for both periods, as all options have vested.

Common Stock Option Awards					
	Option Shares	Weighted Average Exercise Price	Remaining Contractual Term in Years	Weighted Average	Aggregate Intrinsic Value
March 31, 2024					
Outstanding at beginning of year	54,000	\$ 11.59			
Outstanding at end of period	<u>54,000</u>	<u>\$ 11.59</u>	<u>2.59</u>	<u>\$ 61</u>	
Exercisable at end of period	<u>54,000</u>	<u>\$ 11.59</u>	<u>2.59</u>	<u>\$ 61</u>	
December 31, 2023					
Outstanding at beginning of year	58,000	\$ 11.51			
Exercised	(3,000)	9.21			
Forfeited or expired	(1,000)	13.76			
Outstanding at end of year	<u>54,000</u>	<u>\$ 11.59</u>	<u>2.84</u>	<u>\$ 46</u>	
Exercisable at end of year	<u>54,000</u>	<u>\$ 11.59</u>	<u>2.84</u>	<u>\$ 46</u>	

Information related to the 2008 Equity Incentive Plan for the respective periods follows:

	Three months ended March 31, 2024	Twelve months ended December 31, 2023
Intrinsic value of options exercised	\$ —	\$ 2
Cash received from options exercised	\$ —	\$ 28
Tax benefit realized from options exercised	\$ —	\$ —

Other Compensation

On January 25, 2024, the Company's board of directors approved a phantom stock plan as part of the Company's long-term incentive plan. The Plan allows certain employees to earn future cash awards linked to the company's future common share price for time and performance based cash awards. The performance based cash awards vest based on a combination of a three-year time period and performance targets based on the Company's return on equity. For performance based awards, the ultimate cash payout of these awards will be based on the January 25, 2027 closing share price of the Company's common stock. The time based cash awards vest ratably over a three-year time period. For time based awards, the ultimate cash payout of these awards will be based on the closing share price of the Company's common stock on the anniversary of the award date each year. On January 25, 2024, time based awards were based on 18,509 shares and performance based awards were based on 18,505 shares.

At the end of each reporting period, the Company estimates its potential liability related to the Plan and records any change to this liability as compensation expense in the consolidated statement of operations. At March 31, 2024, the related liability was \$ 26 , which is included in other liabilities on the consolidated balance sheet. For the three months ended March 31, 2024, the Company recorded related expense of \$ 26 , which is included in compensation and related benefits/non-interest expense on the Company's consolidated statement of operations.

NOTE 10 – FAIR VALUE ACCOUNTING

ASC Topic 820-10, "Fair Value Measurements and Disclosures" establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The topic describes three levels of inputs that may be used to measure fair value:

Level 1- Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2- Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3- Significant unobservable inputs that reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input within the valuation hierarchy that is significant to the fair value measurement.

The fair value of securities available for sale is determined by obtaining market price quotes from independent third parties wherever such quotes are available (Level 1 inputs); or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). Where such quotes are not available, we utilize independent third party valuation analysis to support our own estimates and judgments in determining fair value (Level 3 inputs).

Assets Measured on a Recurring Basis

The following tables present the financial instruments measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023:

	Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Investment securities:				
U.S. government agency obligations	\$ 15,728	\$ —	\$ 15,728	\$ —
Mortgage-backed securities	70,679	—	70,679	—
Corporate debt securities	41,778	—	41,778	—
Asset-backed securities	23,487	—	23,487	—
Total investment securities	151,672	—	151,672	—
Equity Investments:				
Equity Investments	570	570	—	—
Equity investments measured at NAV(1)	2,711	—	—	—
Total equity investments	3,281	570	—	—
Total	\$ 154,953	\$ 570	\$ 151,672	\$ —
December 31, 2023				
Investment securities:				
U.S. government agency obligations	\$ 16,576	\$ —	\$ 16,576	\$ —
Mortgage-backed securities	73,480	—	73,480	—
Corporate debt securities	41,174	—	41,174	—
Corporate asset backed securities	24,513	—	24,513	—
Total investment securities	155,743	—	155,743	—
Equity Investments:				
Equity Investments	557	557	—	—
Equity investments measured at NAV(1)	2,727	—	—	—
Total equity investments	3,284	557	—	—
Total	\$ 159,027	\$ 557	\$ 155,743	\$ —

(1) Investments valued at NAV are excluded from being reported under the fair value hierarchy but are presented to permit reconciliation with the balance sheet in accordance with ASC 820-10-35-54B.

For the three months ended March 31, 2024, and twelve months ended December 31, 2023, the Company did not own any securities for which the Company utilized significant unobservable inputs (Level 3 inputs) to determine fair value.

There were no transfers in or out of Level 1, Level 2 or Level 3 fair value measurements during the three months ended March 31, 2024, or twelve months ended December 31, 2023. There were no losses included in earnings attributable to the change in unrealized gains or losses relating to the available-for-sale securities above with fair value measurements utilizing significant unobservable inputs for the three months ended March 31, 2024, or twelve months ended December 31, 2023, respectively.

Assets Measured on Nonrecurring Basis

The following tables present the financial instruments measured at fair value on a nonrecurring basis as of March 31, 2024 and December 31, 2023:

	Carrying Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Foreclosed and repossessed assets, net	\$ 1,845	\$ —	\$ —	\$ 1,845
Collateral dependent loans	2,030	—	—	2,030
Mortgage servicing rights	3,774	—	—	5,442
Total	\$ 7,649	\$ —	\$ —	\$ 9,317
December 31, 2023				
Foreclosed and repossessed assets, net	\$ 1,795	\$ —	\$ —	\$ 1,795
Collateral dependent loans	3,499	—	—	3,499
Mortgage servicing rights	3,865	—	—	5,589
Total	\$ 9,159	\$ —	\$ —	\$ 10,883

The fair value of collateral dependent loans with allowances, and impaired loans was determined by obtaining independent third party appraisals and/or internally developed collateral valuations to support the Company's estimates and judgments in determining the fair value of the underlying collateral supporting impaired loans.

The fair value of foreclosed and repossessed assets was determined by obtaining market price valuations from independent third parties wherever such quotes were available for other collateral owned. The Company utilized independent third party appraisals to support the Company's estimates and judgments in determining fair value for other real estate owned.

The fair value of mortgage servicing rights was estimated using discounted cash flows based on current market rates and other factors.

The following table represents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine their fair value at March 31, 2024.

	Fair Value	Valuation Techniques (1)	Significant Unobservable Inputs (2)	Range
March 31, 2024				
Foreclosed and repossessed assets, net	\$ 1,845	Appraisal value	Estimated costs to sell	10 % - 15 %
Collateral dependent loans	\$ 2,030	Appraisal value / Internal Collateral valuations	Estimated costs to sell	10 % - 15 %
Mortgage servicing rights	\$ 5,442	Discounted cash flows	Discounted rates	9.750 % - 12.750 %
December 31, 2023				
Foreclosed and repossessed assets, net	\$ 1,795	Appraisal value	Estimated costs to sell	10 % - 15 %
Collateral dependent loans	\$ 3,499	Appraisal value / Internal Collateral valuations	Estimated costs to sell	10 % - 15 %
Mortgage servicing rights	\$ 5,589	Discounted cash flows	Discounted rates	9.375 % - 12.375 %

(1) Fair value is generally determined through independent third-party appraisals of the underlying

collateral, which generally includes various level 3 inputs which are not observable.

(2) The fair value basis of collateral depended loans, and real estate owned may be adjusted to reflect management costs including, but not limited to, real estate brokerage commissions, legal fees, and delinquent property taxes.

estimates of disposal

The table below represents what we would receive to sell an asset or what we would have to pay to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount and estimated fair value of the Company's financial instruments as of the dates indicated below were as follows:

	Valuation Method Used	March 31, 2024		December 31, 2023	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	(Level I)	\$ 28,638	\$ 28,638	\$ 37,138	\$ 37,138
Other interest-bearing deposits	(Level II)	—	—	—	—
Securities available for sale "AFS"	(Level II)	151,672	151,672	155,743	155,743
Securities held to maturity "HTM"	(Level II)	89,942	70,270	91,229	73,262
Equity investments	(Level I)	570	NA	557	NA
Equity investments valued at NAV(1)	N/A	2,711	NA	2,727	NA
Other investments	(Level II)	13,022	13,022	15,725	15,725
Loans receivable, net	(Level III)	1,427,723	1,355,761	1,437,884	1,374,387
Loans held for sale - Residential mortgage	(Level I)	—	—	1,134	1,134
Loans held for sale - SBA /FSA	(Level II)	—	—	4,639	4,639
Mortgage servicing rights	(Level III)	3,774	5,442	3,865	5,589
Accrued interest receivable	(Level I)	6,324	6,324	5,409	5,409
Financial liabilities:					
Deposits	(Level III)	\$ 1,527,489	\$ 1,526,040	\$ 1,519,092	\$ 1,517,361
FHLB advances	(Level II)	39,500	39,112	79,530	79,087
Other borrowings	(Level II)	67,523	62,998	67,465	59,743
Accrued interest payable	(Level I)	3,711	3,711	3,175	3,175

(1) Investments valued at NAV are excluded from being reported under the fair value hierarchy but are presented to permit reconciliation with the balance sheet in accordance with ASC 820-10-35-54B.

NOTE 11— EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding for the period. A reconciliation of the basic and diluted earnings per share is as follows:

(Share count in thousands)	Three Months Ended	
	March 31, 2024	March 31, 2023
Basic		
Net income attributable to common stockholders	\$ 4,088	\$ 3,662
Weighted average common shares outstanding	10,439	10,472
Basic earnings per share	\$ 0.39	\$ 0.35
Diluted		
Net income attributable to common stockholders	\$ 4,088	\$ 3,662
Weighted average common shares outstanding	10,439	10,472
Add: Dilutive stock options outstanding	4	6
Average shares and dilutive potential common shares	10,443	10,478
Diluted earnings per share	\$ 0.39	\$ 0.35
Additional common stock option shares that have not been included due to their antidilutive effect	20	20

Dilutive shares outstanding consist of exercisable stock options whose strike prices were less than the quarterly average closing price of the Company's common stock. At both March 31, 2024 and March 31, 2023, there were 20 exercisable stock options, with a potentially dilutive effect. However their strike prices were higher than the quarterly average closing price of the Company's common stock and thus, excluded from diluted shares outstanding.

NOTE 12 – OTHER COMPREHENSIVE INCOME (LOSS)

The following tables show the tax effects allocated to each component of other comprehensive income (loss) for the three months ended March 31, 2024 and 2023:

Unrealized (losses) gains on securities:	Three Months Ended					
	March 31, 2024			March 31, 2023		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Net unrealized (losses) gains arising during the period	\$ (891)	\$ 189	\$ (702)	\$ 1,469	\$ (404)	\$ 1,065
Other comprehensive (loss) income	<u>\$ (891)</u>	<u>\$ 189</u>	<u>\$ (702)</u>	<u>\$ 1,469</u>	<u>\$ (404)</u>	<u>\$ 1,065</u>

The changes in the accumulated balances for each component of other comprehensive income (loss), net of tax for the twelve months ended December 31, 2023 and the three months ended March 31, 2024 were as follows:

	Unrealized Gains (Losses) on AFS Securities	Other Accumulated Comprehensive Income (Loss), net of tax
Beginning Balance, January 1, 2023	\$ (24,353)	\$ (17,656)
Current year-to-date other comprehensive gain	352	328
Ending balance, December 31, 2023	\$ (24,001)	\$ (17,328)
Current year-to-date other comprehensive loss	(891)	(702)
Ending balance, March 31, 2024	<u>\$ (24,892)</u>	<u>\$ (18,030)</u>

Reclassifications out of accumulated other comprehensive income (loss) for the three month periods ended March 31, 2024 and March 31, 2023 were as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)		
	Three months ended March 31, 2024	Three months ended March 31, 2023	Affected Line Item on the (1) Statement of Operations
Unrealized gains and losses			
Sale of securities	\$ —	\$ —	Net gains (losses) on investment securities
Tax effect	—	—	Provision for income taxes
Total reclassifications for the period	<u>\$ —</u>	<u>\$ —</u>	Net income attributable to common stockholders

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this report contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and the Company intends that these forward-looking statements be covered by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "estimates," "intend," "may," "preliminary," "planned," "potential," "should," "will," "would," or the negative of those terms or other words of similar meaning. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are inherently subject to many uncertainties in the Company's operations and business environment.

Factors that could affect actual results or outcomes include the matters described under the caption "Risk Factors" in Item 1A of our annual report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 5, 2024 ("2023 10-K"), the matters described in "Risk Factors" in Item 1A of this Form 10-Q, and the following:

- conditions in the financial markets and economic conditions generally;
- the impact of inflation on our business and our customers;
- geopolitical tensions, including current or anticipated impact of military conflicts;
- higher lending risks associated with our commercial and agricultural banking activities;
- future pandemics (including new variants of COVID-19);
- cybersecurity risks;
- adverse impacts on the regional banking industry and the business environment in which it operates;
- interest rate risk;
- lending risk;
- changes in the fair value or ratings downgrades of our securities;
- the sufficiency of allowance for credit losses;
- competitive pressures among depository and other financial institutions;
- disintermediation risk;
- our ability to maintain our reputation;
- our ability to maintain or increase our market share;
- our ability to realize the benefits of net deferred tax assets;
- our inability to obtain needed liquidity;
- our ability to raise capital needed to fund growth or meet regulatory requirements;
- our ability to attract and retain key personnel;
- our ability to keep pace with technological change;
- prevalence of fraud and other financial crimes;
- the possibility that our internal controls and procedures could fail or be circumvented;
- our ability to successfully execute our acquisition growth strategy;
- risks posed by acquisitions and other expansion opportunities, including difficulties and delays in integrating the acquired business operations or fully realizing the cost savings and other benefits;
- restrictions on our ability to pay dividends;
- the potential volatility of our stock price;
- accounting standards for credit losses;
- legislative or regulatory changes or actions, or significant litigation, adversely affecting the Company or Bank;
- public company reporting obligations;
- changes in federal or state tax laws; and
- changes in accounting principles, policies or guidelines and their impact on financial performance.

Stockholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this filing and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances occurring after the date of this report.

GENERAL

The following discussion sets forth management's discussion and analysis of our consolidated financial condition as of March 31, 2024, and our consolidated results of operations for the three months ended March 31, 2024, compared to the same period in the prior fiscal year for the three months ended March 31, 2023. This discussion should be read in conjunction with the interim consolidated financial statements and the condensed notes thereto included with this report and with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes related thereto included in our 2023 10-K. Unless otherwise stated, all monetary amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations, other than share, per share and capital ratio amounts, are stated in thousands.

PERFORMANCE SUMMARY

The following is a summary of some of the significant factors that affected our operating results for the three months ended March 31, 2024, and March 31, 2023. Compared to first quarter 2023, first quarter 2024 net interest income decreased, primarily due to the impact of higher short-term interest rates on the Bank's liability-sensitive balance sheet, i.e., higher deposit costs, and customer account shifts to higher-cost certificates, along with increased borrowing costs, partially offset by higher yields on assets. The Company's cost of interest-bearing liabilities increased from 2.00% in the first quarter of 2023 to 3.11% for the first quarter of 2024. This resulted in an increase in interest expense of \$3.9 million. The reduction in net interest income, due to higher interest expense, was partially offset by higher interest income on interest earning assets of \$3 million primarily due to the impact of higher interest rates and \$0.6 million of interest income recorded primarily due to nonaccrual loan payoffs. As a result, net interest income fell \$0.9 million.

The provision for credit losses decreased from a provision of \$0.05 million in the first quarter of 2023 to a negative provision of \$0.8 million in the first quarter of 2024. The negative provision in the first quarter of 2024 was primarily due to: 1) a decrease in allowance for credit losses ("ACL") reserves on individually evaluated loans of \$0.5 million; 2) the reduction in commitments to fund construction loans; and 3) net loan recoveries.

Non-interest income increased \$1.0 million in the first quarter of 2024 compared to the first quarter of 2023 due to higher gain on sale of loans and higher loan fees due to customer activity.

Non-interest expenses increased \$0.7 million in the first quarter of 2024 from \$10.1 million in the first quarter of 2023. The increase was primarily related to a \$0.4 million establishment of a SBA recourse reserve recorded in other expense, along with inflationary increases in compensation and data processing costs.

When comparing year-over-year results, changes in net interest income, provision for credit losses, non-interest income and non-interest expense are primarily due to the items discussed above. See the remainder of this section for a more thorough discussion.

We reported net income of \$4.1 million, or \$0.39 per diluted share for the quarter ended March 31, 2024, compared to net income of \$3.7 million or \$0.35 per diluted share for the quarter ended March 31, 2023.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amount of assets, liabilities, revenue, expenses, and their related disclosures. We base our assumptions, estimates, and judgments on historical experience, current trends, and other factors that our management believes to be relevant at the time our consolidated financial statements are prepared. Some of these estimates are more critical than others. In addition to the policies included in Note 1, "Nature of Business and Summary of Significant Accounting Policies," to the Consolidated Financial Statements included as an exhibit in our annual report on our 2023 10-K, our critical accounting estimates are as follows:

Allowance for Credit Losses.

We adopted ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), "Measurement of Credit Losses on Financial Instruments" through a cumulative-effect adjustment on January 1, 2023. We have selected a loss estimation methodology, utilizing a third-party model. See also Notes 1 and 3 to the unaudited consolidated financial statements for further discussion of our adoption of ASU 2016-13.

Allowance for Credit Losses - Loans. We maintain an allowance for credit losses to absorb probable and inherent losses in our loan portfolio. The allowance is based on ongoing quarterly assessments of the estimated lifetime losses in our loan portfolio. In evaluating the level of the allowance for credit losses, we consider the types of loans and the amount of loans in our loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, the estimated

value of any underlying collateral, prevailing economic conditions, and other relevant factors determined by management. We follow all applicable regulatory guidance, including the "Interagency Policy Statement on Allowances for Credit losses," issued by the Office of the Comptroller of the Currency, Department of the Treasury, Federal Deposit Insurance Corporation, and National Credit Union Administration. We believe that the Bank's Allowance for Credit Losses Policy conforms to all applicable regulatory requirements. However, based on periodic examinations by regulators, the amount of the allowance for credit losses recorded during a particular period may be adjusted.

Our determination of the allowance for credit losses - loans is based on: 1) an individual allowance for specifically identified and evaluated loans that management has determined have unique risk characteristics. For these loans, the estimated loss is based on likelihood of default, payment history, and net realizable value of underlying collateral. Specific allocations for collateral dependent loans are based on the fair value of the underlying collateral relative to the amortized cost of the loans. For loans that are not collateral dependent, the specific allocation is based on the present value of expected future cash flows discounted at the loan's original effective interest rate through the repayment period; and 2) a collective allowance for loans not specifically identified in 1) above. The allowance for these loans is estimated by pooling loans with a similar risk profile and calculating a collective loss rate using the pool's risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. This collectively estimated loss is adjusted for qualitative factors.

Assessing the allowance for credit losses - loans is inherently subjective as it requires making material estimates, including the amount, and timing of future cash flows expected to be received on collateral dependent loans, any of which estimates may be susceptible to significant change. In our opinion, the allowance, when taken as a whole, reflects estimated probable loan losses in our loan portfolio.

Goodwill.

We account for goodwill and other intangible assets in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." The Company records the excess of the cost of acquired entities over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, as goodwill. The Company does not amortize goodwill, but reviews goodwill for impairment at a reporting unit level on an annual basis, or when events or changes in circumstances indicate that the carrying amounts may be impaired. A reporting unit is defined as any distinct, separately identifiable component of the Company's one operating segment for which complete, discrete financial information is available and reviewed regularly by the segment's management. The Company has one reporting unit as of March 31, 2024, which is related to its banking activities. The Company performed the required goodwill impairment test and determined that goodwill was not impaired as of December 31, 2023. The Company has monitored events and conditions since December 31, 2023, and has determined that no triggering event has occurred that would require goodwill to be tested for impairment.

STATEMENT OF OPERATIONS ANALYSIS

Net Interest Income. Net interest income represents the difference between the dollar amount of interest earned on interest-bearing assets and the dollar amount of interest paid on interest-bearing liabilities. The interest income and expense of financial institutions (including those of the Bank) are significantly affected by general economic conditions, competition, policies of regulatory authorities and other factors.

Interest rate spread and net interest margin are used to measure and explain changes in net interest income. Interest rate spread is the difference between the yield on interest earning assets and the rate paid for interest-bearing liabilities that fund those assets. Net interest margin is expressed as the percentage of net interest income to average interest earning assets. Net interest margin currently exceeds interest rate spread because non-interest-bearing sources of funds ("net free funds"), principally demand deposits and stockholders' equity, also support interest earning assets. The narrative below discusses net interest income, interest rate spread, and net interest margin for the three-month periods ended March 31, 2024, and March 31, 2023, respectively.

Net interest income was \$11.9 million for the three months ended March 31, 2024, compared to \$12.8 million for the three months ended March 31, 2023. Interest income for the three months ended March 31, 2024, decreased from the same period one year ago due to higher net interest-bearing balances and costs. This was partially offset by: 1) positive loan volume variance due to growth in loans outstanding; 2) increases in loan and investment yields due to both contractual repricing and higher coupons on new loans and investments in excess of portfolio yield; and 3) the realization of \$0.6 million of interest income principally due to nonaccrual loans payoff.

The net interest margin for the three-month period ended March 31, 2024, was 2.77%, compared to 3.02% for the three-month period ended March 31, 2023. The net interest margin decrease was due to higher deposit costs due to higher market interest rates and customers moving from lower cost savings and money market accounts to higher yielding certificate accounts

and the impact of higher short-term interest rates which increased FHLB advance and other borrowing costs. This was partially offset by: 1) increases in loan and investment yields due to contractual repricing; 2) rates on new loans and investments exceeding the portfolio as a whole; and 3) a thirteen-basis point increase in yield due to income realized principally on the payoff of a nonaccrual loans.

Average Balances, Net Interest Income, Yields Earned and Rates Paid. The following net interest income analysis table presents interest income from average interest earning assets, expressed in dollars and yields, and interest expense on average interest-bearing liabilities, expressed in dollars and rates on a tax equivalent basis. Shown below is the weighted average tax equivalent yield on interest earning assets, rates paid on interest-bearing liabilities and the resultant spread at or during the three-month periods ended March 31, 2024, and March 31, 2023. Non-accruing loans have been included in the table as loans carrying a zero yield.

NET INTEREST INCOME ANALYSIS ON A TAX EQUIVALENT BASIS

(Dollar amounts in thousands)

Three months ended March 31, 2024, compared to the three months ended March 31, 2023:

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Average Balance	Interest Income/Expense	Average Yield/Rate (1)	Average Balance	Interest Income/Expense	Average Yield/Rate (1)
Average interest earning assets:						
Cash and cash equivalents	\$ 13,071	\$ 191	5.88 %	\$ 18,270	\$ 140	3.11 %
Loans	1,456,586	20,168	5.57 %	1,412,409	17,126	4.92 %
Interest-bearing deposits	—	—	— %	249	1	1.63 %
Investment securities	243,991	2,060	3.40 %	270,174	2,175	3.22 %
Other investments	13,350	260	7.83 %	16,663	231	5.62 %
Total interest earning assets	\$ 1,726,998	\$ 22,679	5.28 %	\$ 1,717,765	\$ 19,673	4.64 %
Average interest-bearing liabilities:						
Savings accounts	\$ 176,838	\$ 421	0.96 %	\$ 216,169	\$ 382	0.72 %
Demand deposits	353,995	2,017	2.29 %	391,635	1,432	1.48 %
Money market	377,475	2,920	3.11 %	301,710	1,096	1.47 %
CD's	360,177	3,851	4.30 %	255,567	1,438	2.28 %
Total deposits	\$ 1,268,485	\$ 9,209	2.92 %	\$ 1,165,081	\$ 4,348	1.51 %
FHLB Advances and other borrowings	124,701	1,565	5.05 %	232,166	2,530	4.42 %
Total interest-bearing liabilities	\$ 1,393,186	\$ 10,774	3.11 %	\$ 1,397,247	\$ 6,878	2.00 %
Net interest income		\$ 11,905			\$ 12,795	
Interest rate spread			2.17 %			2.64 %
Net interest margin			2.77 %			3.02 %
Average interest earning assets to average interest-bearing liabilities			1.24			1.23

Rate/Volume Analysis. The following tables present the dollar amount of changes in interest income and interest expense for the components of interest earning assets and interest-bearing liabilities that are presented in the preceding table. For each category of interest earning assets and interest-bearing liabilities, information is provided on changes attributable to: 1) changes in volume, which are changes in the average outstanding balances multiplied by the prior period rate (i.e., holding the initial rate constant) and 2) changes in rate, which are changes in average interest rates multiplied by the prior period volume (i.e., holding the initial balance constant). Rate changes have been discussed previously in the net interest income section above. For the three months ended March 31, 2024, compared to the same period in 2023, the loan volume increased due to organic growth. The increase in certificate volumes is due to CD growth, with some of this growth moving from non-maturity deposits and to a lesser extent, brokered CD growth. Investment securities volume decreases for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, are primarily due to: 1) principal repayments and 2) unrealized losses in the available for sale securities portfolio.

RATE / VOLUME ANALYSIS

(Dollar amounts in thousands)

Three months ended March 31, 2024, compared to the three months ended March 31, 2023.

	Volume	Rate	Increase (decrease) due to	Net
Interest income:				
Cash and cash equivalents	\$ (51)	\$ 102	\$ 51	
Loans	553	2,489	3,042	
Interest-bearing deposits	(1)	—	(1)	
Investment securities	(217)	102	(115)	
Other investments	(53)	82	29	
Total interest earning assets	231	2,775	3,006	
Interest expense:				
Savings accounts	(79)	118	39	
Demand deposits	(151)	736	585	
Money market accounts	325	1,499	1,824	
CD's	723	1,690	2,413	
Total deposits	818	4,043	4,861	
FHLB Advances and other borrowings	(1,325)	360	(965)	
Total interest bearing liabilities	(507)	4,403	3,896	
Net interest income	\$ 738	\$ (1,628)	\$ (890)	

Provision for Credit Losses. We determine our provision for credit losses ("provision") based on our desire to provide an adequate Allowance for Credit Losses ("ACL") - Loans to reflect estimated lifetime losses in our loan portfolio and ACL - Unfunded Commitments to reflect estimated losses on our unfunded commitments to lend. We use a third-party model to collectively evaluate and estimate the ACL on loans and unfunded commitments on a pooled basis. The model pools loans and commitments with similar characteristics and calculates an estimated loss rate for the pool based on identified risk drivers. These risk drivers vary with loan type. Projections about future economic conditions and the effect they could have on future losses are inherent in the model. Loans with uniquely identified circumstances and risks are individually evaluated. Lifetime losses on these loans are estimated based on the loans' individual characteristics.

Total benefit, i.e., negative provision, for credit losses for the three months ended March 31, 2024, was \$0.8 million. The provision for credit losses was \$0.05 million in the first quarter of 2023. The negative provision in the first quarter of 2024 was primarily due to: 1) a decrease in reserves on individually evaluated loans of \$0.5 million; 2) the reduction in commitments to fund construction loans; and 3) net loan recoveries.

Continued strong economic conditions in our markets, as evidenced by unemployment rates below the national average in our two largest population centers, have resulted in positive overall economic trends for businesses. The impact of higher interest rates and the impact of an inverted yield forecast are factors that the third-party model of economic conditions used computing the ACL level.

Note that in discussing ACL allocations, the entire ACL balance is available for any loan that, in management's judgment, should be charged off.

Management believes that the provision recorded for the current year's three-month period is adequate in view of the present condition of our loan portfolio and the sufficiency of collateral supporting our non-performing loans. We continually monitor non-performing loan relationships and will adjust our provision, as necessary, if changing facts and circumstances require a change in the ACL. In addition, a decline in the quality of our loan portfolio as a result of general economic conditions, factors affecting particular borrowers or our market areas, or otherwise, could all affect the adequacy of our ACL. If there are significant charge-offs against the ACL, or we otherwise determine that the ACL is inadequate, we will need to record an additional provision in the future.

Non-interest Income. The following table reflects the various components of non-interest income for the three-month periods ended March 31, 2024 and 2023, respectively.

	Three months ended March 31,		
	2024	2023	% Change
Non-interest Income:			
Service charges on deposit accounts	\$ 471	\$ 485	(2.89)%
Interchange income	541	551	(1.81)%
Loan servicing income	582	569	2.28 %
Gain on sale of loans	1,020	298	242.28 %
Loan fees and service charges	230	80	187.50 %
Net gains (losses) on investment securities	167	56	198.21 %
Other	253	253	— %
Total non-interest income	\$ 3,264	\$ 2,292	42.41 %

Gain on sale of loans increased in the current three-month period ended March 31, 2024, compared to the three-month period ended March 31, 2023, primarily due to higher SBA gains.

Loan fees and services charges are higher for the three-month period ended March 31, 2024, compared to the same period in 2023 due to higher late charges and forbearance fees.

The change in net gains (losses) on investment securities between the three-month period ended March 31, 2024, and the three-month period ended March 31, 2023, is primarily a result of gains recognized in the first quarter of 2024 due to increased valuations of equity securities.

Non-interest Expense. The following table reflects the various components of non-interest expense for the three-month periods ended March 31, 2024 and 2023, respectively.

	Three months ended March 31,		% Change	
	2024	2023		
Non-interest Expense:				
Compensation and related benefits	\$ 5,483	\$ 5,338	2.72	%
Occupancy	1,367	1,423	(3.94)	%
Data processing	1,597	1,460	9.38	%
Amortization of intangible assets	179	204	(12.25)	%
Mortgage servicing rights expense, net	148	158	(6.33)	%
Advertising, marketing and public relations	164	136	20.59	%
FDIC premium assessment	205	201	1.99	%
Professional services	566	505	12.08	%
Gains on repossessed assets, net	—	(29)	100.00	%
Other	1,068	725	47.31	%
Total non-interest expense	\$ 10,777	\$ 10,121	6.48	%
Non-interest expense (annualized) /				
Average assets	2.36	%	2.25	%
			4.89	%

Compensation expense for the three months ended March 31, 2024, increased from the same period in 2023, largely due to 2023 annual employee pay raises effective late first quarter of 2023.

Data processing for the three months ended March 31, 2024, increased from the same period in 2023 largely due to inflationary pressures and the impact of new software implementation costs to aid in future efficiency efforts.

Amortization of intangible assets for the three months ended March 31, 2024, compared to March 31, 2023, decreased from the same prior year period, as intangible assets related to certain acquisitions have been fully amortized.

The increase in other expenses during the three months ended March 31, 2024, from the comparable prior year period is largely due to the establishment of a SBA valuation reserve of \$0.4 million.

Income Taxes. Provision for income taxes decreased to \$1.1 million in the first quarter of 2024 from \$1.3 million in the first quarter of 2023. The effective tax rate was 21.3% for the quarter ended March 31, 2024, and 25.5% for the quarter ended March 31, 2023.

The decrease in the effective tax rate is primarily due to the Wisconsin state budget, signed by Governor Evers on July 5, 2023, which provides financial institutions a tax exemption on income earned on Wisconsin commercial and agricultural loans up to \$5 million retroactive to January 1, 2023, the impact of which was recognized in the third quarter of 2023.

BALANCE SHEET ANALYSIS

Cash and Cash Equivalents. Cash and cash equivalents decreased \$8.5 million during the quarter to \$28.6 million at March 31, 2024, largely due to a decrease in clearing balances of \$10.9 million partially offset by an increase in interest-bearing deposits at the Federal Reserve Bank of \$5.5 million.

Investment Securities. We manage our securities portfolio to provide liquidity and enhance income. Our investment portfolio is comprised of securities available for sale and securities held to maturity. Securities available for sale decreased \$4.0 million during the quarter ended March 31, 2024, to \$151.7 million from \$155.7 million at December 31, 2023. The decrease was due to principal repayments of \$3.1 million and a decrease in the market value of the AFS portfolio of \$0.9 million.

Securities held to maturity decreased \$1.3 million to \$89.9 million during the quarter ended March 31, 2024, from \$91.2 million at December 31, 2023, due to principal repayments.

The amortized cost and market values of our available for sale securities by asset categories as of the dates indicated below were as follows:

	Available for sale securities	Amortized Cost	Fair Value
March 31, 2024			
U.S. government agency obligations	\$ 15,835	\$ 15,728	
Mortgage-backed securities	89,933	70,679	
Corporate debt securities	47,164	41,778	
Asset-backed securities	23,632	23,487	
Totals	<hr/> <hr/> \$ 176,564	<hr/> <hr/> \$ 151,672	
December 31, 2023			
U.S. government agency obligations	\$ 16,655	\$ 16,576	
Mortgage-backed securities	91,091	73,480	
Corporate debt securities	47,158	41,174	
Asset-backed securities	24,840	24,513	
Totals	<hr/> <hr/> \$ 179,744	<hr/> <hr/> \$ 155,743	

The amortized cost and fair value of our held to maturity securities by asset categories as of the dates noted below were as follows:

Held to maturity securities	Amortized Cost		Fair Value
March 31, 2024			
Obligations of states and political subdivisions	\$ 500	\$ 466	
Mortgage-backed securities	89,442	69,804	
Totals	\$ 89,942	\$ 70,270	
December 31, 2023			
Obligations of states and political subdivisions	\$ 600	\$ 565	
Mortgage-backed securities	90,629	72,697	
Totals	\$ 91,229	\$ 73,262	

The composition of our available for sale portfolios by credit rating as of the dates indicated below was as follows:

Available for sale securities	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	\$ 97,305	\$ 78,026	\$ 98,977	\$ 81,351
AAA	12,386	12,256	9,695	9,508
AA	19,709	19,613	23,913	23,709
A	8,200	7,465	8,200	7,292
BBB	38,964	34,312	38,959	33,883
Non-rated	—	—	—	—
Total available for sale securities	\$ 176,564	\$ 151,672	\$ 179,744	\$ 155,743

The composition of our held to maturity portfolio by credit rating as of the dates indicated was as follows:

Held to maturity securities	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	\$ 89,442	\$ 69,804	\$ 90,629	\$ 72,697
AAA	—	—	—	—
AA	—	—	—	—
A	500	466	600	565
Total	\$ 89,942	\$ 70,270	\$ 91,229	\$ 73,262

At March 31, 2024, the Bank has pledged certain of its mortgage-backed securities with a carrying value of \$28.9 million as collateral to secure a line of credit with the Federal Reserve Bank. As of March 31, 2024, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of March 31, 2024, the Bank has pledged certain of its U.S. Government Agency securities with a carrying value of \$0.4 million and mortgage-backed securities with a carrying value of \$1.9 million as collateral against specific municipal deposits. As of March 31, 2024, the Bank also has mortgage-back securities with a carrying value of \$0.1 million and U.S. Government Agencies with a carrying value of \$0.4 million pledged as collateral to the Federal Home Loan Bank of Des Moines.

At December 31, 2023, the Bank has pledged certain of its mortgage-backed securities with a carrying value of \$29.2 million as collateral to secure a line of credit with the Federal Reserve Bank. As of December 31, 2023, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of December 31, 2023, the Bank has pledged certain of its U.S. Government Agency securities with a carrying value of \$0.5 million and mortgage-backed securities with a carrying value of \$1.9 million as collateral against specific municipal deposits. As of December 31, 2023, the Bank also has mortgage-backed securities with a carrying value of \$0.2 million and U.S. Government Agencies with a carrying value of \$0.4 million pledged as collateral to the Federal Home Loan Bank of Des Moines.

Loans. Total loans outstanding, net of deferred loan fees and costs and unamortized discount on acquired loans, decreased by \$10.6 million, to \$1.45 billion as of March 31, 2024, from \$1.46 billion at December 31, 2023. The following table reflects the composition of our loan portfolio at March 31, 2024, and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Amount	Percent	Amount	Percent
Real estate loans:				
Commercial/Agricultural real estate				
Commercial real estate	\$ 745,720	51.4 %	\$ 750,531	51.4 %
Agricultural real estate	80,451	5.5 %	83,350	5.7 %
Multi-family real estate	235,450	16.2 %	228,095	15.6 %
Construction and land development	93,560	6.5 %	110,941	7.6 %
Residential mortgage				
Residential mortgage	129,665	8.9 %	129,021	8.8 %
Purchased HELOC loans	2,895	0.2 %	2,880	0.2 %
Total real estate loans	1,287,741	88.8 %	1,304,818	89.3 %
C&I/Agricultural operating and Consumer Installment Loans:				
C&I/Agricultural operating				
Commercial and industrial ("C&I")	128,434	8.9 %	121,666	8.3 %
Agricultural operating	26,237	1.8 %	25,691	1.8 %
Consumer installment				
Originated indirect paper	5,851	0.4 %	6,535	0.5 %
Other consumer	5,750	0.4 %	6,187	0.4 %
Total C&I/Agricultural operating and Consumer installment Loans	166,272	11.5 %	160,079	11.0 %
Gross loans	\$ 1,454,013	100.3 %	\$ 1,464,897	100.3 %
Unearned net deferred fees and costs and loans in process	(2,757)	(0.2)%	(2,900)	(0.2)%
Unamortized discount on acquired loans	(1,097)	(0.1)%	(1,205)	(0.1)%
Total loans (net of unearned income and deferred expense)	1,450,159	100.0 %	1,460,792	100.0 %
Allowance for credit losses	(22,436)		(22,908)	
Total loans receivable, net	\$ 1,427,723		\$ 1,437,884	

Allowance for Credit Losses - Loans.

The Allowance for Credit Losses - Loans ("ACL") is a valuation allowance for expected future credit losses in the Company's loan portfolio as of the balance sheet date. In determining the allowance, the Company estimates credit losses over the loan's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers qualitative and quantitative relevant information from internal and external sources relating to historical loss experience; known and inherent risks in our portfolio; information about specific borrowers' ability to repay; estimated collateral values; current economic conditions; reasonable and supportable forecasts for future conditions; and other relevant factors determined by management. To ensure that the ACL is maintained at an adequate level, a detailed analysis is performed on a quarterly basis and an appropriate provision is made to adjust the allowance. The entire ACL balance is available for any loan that, in management's judgment, should be charged off.

The determination of the ACL requires significant judgement to estimate credit losses. The ACL is measured collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The ACL on loans collectively evaluated is measured using the loss rate model. The Company categorizes its loan portfolio into four segments based on similar risk characteristics. Loans within each segment are pooled based on individual loan characteristics. Aggregated risk drivers are then calculated at a pool level. Risk drivers are identified attributes that have proven to be predictive of loan loss rates and vary based on loan segment and type. A loss rate is calculated and applied to the pool utilizing a model that combines the pool's risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loan's balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on national economic conditions and their reversion to the mean is implicit in the model and generally occurs over a period of two years.

Qualitative adjustments are made to the allowance calculated on collectively evaluated loans to incorporate factors not included in the model. Qualitative factors include but are not limited to: lending policies and procedures, the experience and ability of lending and other staff, the volume and severity of problem credits, quality of the loan review system, and other external factors.

Loans that exhibit different risk characteristics from the pool are individually evaluated for credit losses. Loans can be identified for individual evaluation for a variety of reasons including delinquency, nonaccrual status, risk rating and loan modification. Accruing loans that exhibit different risk characteristics from their pool may also be within scope. On these loans, an allowance may be established so that the loan is reported, net, at the lower of: a) its amortized cost; b) the present value of the loan's estimated future cash flows using the loan's existing rate; or c) at the fair value of any loan collateral, less estimated disposal costs, if the loan is collateral dependent. Collateral dependency is determined using the practical expedient when: 1) the borrower is experiencing financial difficulty; and 2) repayment is expected to be provided substantially through the sale or operation of the collateral.

In addition, various regulatory agencies periodically review the ACL. These agencies may require the Company to make additions to the ACL or may require that certain loan balances be charged off or downgraded into classified loan categories when the agencies' evaluation differs from management's evaluation based on their judgments of collectability from the information available to them at the time of examination.

The Allowance for Credit Losses - Unfunded Commitments is a liability for expected future credit losses on the Company's commitments to lend. The Company estimates expected credit losses over the contractual period for which the Company is exposed to credit risk, via a contractual obligation to extend credit, unless the obligation is unconditionally cancellable by the Company. The Allowance for Credit Losses - Unfunded Commitments on off-balance sheet exposures is included in other liabilities on the consolidated balance sheet.

Allowance for Credit Losses - Loans Roll Forward

(in thousands, except ratios)

	March 31, 2024 and Three Months Ended	December 31, 2023 and Three Months Ended
Allowance for Credit Losses ("ACL")		
ACL - Loans, at beginning of period	\$ 22,908	\$ 22,973
Loans charged off:		
Commercial/Agricultural real estate	—	—
C&I/Agricultural operating	—	—
Residential mortgage	—	—
Consumer installment	(5)	(6)
Total loans charged off	(5)	(6)
Recoveries of loans previously charged off:		
Commercial/Agricultural real estate	39	253
C&I/Agricultural operating	15	6
Residential mortgage	1	2
Consumer installment	3	9
Total recoveries of loans previously charged off:	58	270
Net loan recoveries/(charge-offs) ("NCOs")	53	264
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(525)	(329)
ACL - Loans, at end of period	<u>\$ 22,436</u>	<u>\$ 22,908</u>
Average outstanding loan balance	\$ 1,456,586	\$ 1,458,558
Ratios:		
NCOs (annualized) to average loans	(0.01)%	(0.07)%

Allowance for Credit Losses - Loans Activity by Segment

(in thousands, except ratios)

	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Total
Three months ended March 31, 2024					
Allowance for Credit Losses - Loans:					
ACL - Loans, at beginning of period					
	\$ 18,784	\$ 1,105	\$ 2,744	\$ 275	\$ 22,908
Charge-offs	—	—	—	(5)	(5)
Recoveries	39	15	1	3	58
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(568)	46	20	(23)	(525)
ACL - Loans, at end of period	<u>\$ 18,255</u>	<u>\$ 1,166</u>	<u>\$ 2,765</u>	<u>\$ 250</u>	<u>\$ 22,436</u>

The following table present the balance and activity in the allowance for credit losses ("ACL") - loans by portfolio segment for the twelve months ended December 31, 2023:

	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Twelve months ended December 31, 2023						
Allowance for Credit Losses - Loans:						
ACL - Loans, at beginning of period	\$ 14,085	\$ 2,318	\$ 599	\$ 129	\$ 808	\$ 17,939
Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)	4,706
Charge-offs	(46)	—	(78)	(36)	—	(160)
Recoveries	489	47	42	33	—	611
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(254)	(929)	1,062	(67)	—	(188)
ACL - Loans, at end of period	\$ 18,784	\$ 1,105	\$ 2,744	\$ 275	\$ —	\$ 22,908

Allowance for Credit Losses - Loans to Percentage

(in thousands, except ratios)

	March 31, 2024	December 31, 2023
Loans, end of period	\$ 1,450,159	\$ 1,460,792
ACL - Loans	\$ 22,436	\$ 22,908
ACL - Loans to loans, end of period	1.55 %	1.57 %

Allowance for Credit Losses - Unfunded Commitments:

(in thousands)

In addition to the ACL - Loans, the Company has established an ACL - Unfunded Commitments of \$0.975 million at March 31, 2024, and \$1.25 million at December 31, 2023, classified in other liabilities on the consolidated balance sheets.

	March 31, 2024 and Three Months Ended	December 31, 2023 and Twelve Months Ended
ACL - Unfunded Commitments - beginning of period	\$ 1,250	\$ —
Cumulative effect of ASU 2016-13 adoption	—	1,537
Increases to ACL - Unfunded Commitments via provision for credit losses charged to operations	(275)	(287)
ACL - Unfunded Commitments - end of period	\$ 975	\$ 1,250

Nonperforming Loans, Potential Problem Loans and Foreclosed Properties. We practice early identification of nonaccrual and problem loans in order to minimize the Bank's risk of loss. Nonperforming loans are defined as nonaccrual loans and restructured loans that were 90 days or more past due at the time of their restructure, or when management determines that such classification is warranted. The accrual of interest income is discontinued on our loans according to the following schedule:

- Commercial/agricultural real estate loans, past due 90 days or more;
- C&I/Agricultural operating loans, past due 90 days or more;
- Closed ended consumer installment loans, past due 120 days or more; and
- Residential mortgage loans and open-ended consumer installment loans, past due 180 days or more.

When interest accruals are discontinued, interest credited to income is reversed. If collection is in doubt, cash receipts on non-accrual loans are used to reduce principal rather than being recorded as interest income.

The following table identifies the various components of nonperforming assets and other balance sheet information as of the dates indicated below and changes in the ACL for the periods then ended:

	March 31, 2024 and Three Months Then Ended (1)	December 31, 2023 and Twelve Months Then Ended (1)
Nonperforming assets:		
Nonaccrual loans		
Commercial real estate	\$ 5,340	\$ 10,359
Agricultural real estate	382	391
Construction and land development	—	54
Commercial and industrial	440	—
Agricultural operating	1,106	1,180
Residential mortgage	1,127	1,167
Consumer installment	18	33
Total nonaccrual loans	\$ 8,413	\$ 13,184
Accruing loans past due 90 days or more	326	389
Total nonperforming loans ("NPLs")	8,739	13,573
Other real estate owned	1,845	1,795
Other collateral owned	—	—
Total nonperforming assets ("NPAs")	\$ 10,584	\$ 15,368
Average outstanding loan balance	\$ 1,456,586	\$ 1,430,035
Loans, end of period	\$ 1,450,159	\$ 1,460,792
Total assets, end of period	\$ 1,819,315	\$ 1,851,391
ACL - Loans, at beginning of period	\$ 22,908	\$ 17,939
Cumulative effect of ASU 2016-13 adoption	—	4,706
Loans charged off:		
Commercial/Agricultural real estate	—	(46)
C&I/Agricultural operating	—	—
Residential mortgage	—	(78)
Consumer installment	(5)	(36)
Total loans charged off	(5)	(160)
Recoveries of loans previously charged off:		
Commercial/Agricultural real estate	39	489
C&I/Agricultural operating	15	47
Residential mortgage	1	42
Consumer installment	3	33
Total recoveries of loans previously charged off:	58	611
Net loan recoveries/(charge-offs) ("NCOs")	53	451
(Reductions) additions to ACL - loans via provision for credit losses charged to operations	(525)	(188)
ACL - Loans, at end of period	\$ 22,436	\$ 22,908
Ratios:		
ACL-Loans to NCOs (annualized)	10,525.19 %	5,079.38 %
NCOs (annualized) to average loans	(0.01)%	(0.03)%
ACL-Loans to total loans	1.55 %	1.57 %
ACL-Loans to nonaccrual loans	266.68 %	173.76 %
Nonaccrual loans to total loans	0.58 %	0.90 %
NPLs to total loans	0.60 %	0.93 %
NPAs to total assets	0.58 %	0.83 %

(1) Loan balances are stated at amortized cost.

Nonaccrual Loans Roll Forward:

	Quarter Ended				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Balance, beginning of period	\$ 13,184	\$ 13,456	\$ 15,663	\$ 10,410	\$ 11,204
Additions	961	538	33	7,826	154
Charge offs	—	—	(53)	(23)	(49)
Transfers to OREO	—	(23)	—	(110)	(25)
Return to accrual status	—	—	(190)	—	(252)
Payments received	(5,767)	(781)	(1,994)	(2,429)	(527)
Other, net	35	(6)	(3)	(11)	(95)
Balance, end of period	<u>\$ 8,413</u>	<u>\$ 13,184</u>	<u>\$ 13,456</u>	<u>\$ 15,663</u>	<u>\$ 10,410</u>

Nonperforming assets were \$10.6 million at March 31, 2024, compared to \$15.4 million at December 31, 2023. Nonperforming assets decreased primarily due to nonperforming loan payoffs of \$5.4 million during the current quarter.

Refer to the "Allowance for Credit Losses - Loans" and "Nonperforming Loans, Potential Problem Loans and Foreclosed Properties" sections above for more information related to nonperforming loans.

Below is a summary of loan modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024.

Loan Class	Term Extension		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Commercial and industrial	\$ 2,300	1.80	%
Loan Class	Other-Than-Insignificant Payment Delay		
	Amortized Cost Basis at March 31, 2024	% of Total Class of Financing Receivables	
Residential mortgage	\$ 82	0.06	%

The table below shows a summary of criticized loans, split by special mention and substandard for the past five quarters. Since March 31, 2023, special mention credit additions were two loan relationships, each totaling \$9 million added in the second quarter of 2023, with a \$5 million relationship in the second quarter of 2023 moving to substandard and a payoff in the first quarter of 2023. Substandard loans increased largely due to the movement of a \$5 million loan from special mention in the second quarter of 2023 and a new loan relationship addition of \$3.7 million in the fourth quarter of 2023. These increases were more than offset by the first quarter 2024 payoffs of nonaccrual loans, which were also categorized as substandard and the \$3 million decrease in 3Q 2023.

In addition to our discussion of criticized, special mention, and substandard loans above, the following information provides further insights about our loans to certain industries. As of March 31, 2024, hotel loans totaled \$95 million with a weighted average LTV of 54% and average balance of \$4.5 million. \$4.6 million of these loans are nonaccrual and classified as substandard. Restaurant loans totaled \$57 million, at March 31, 2024. The weighted average LTV percentage on these restaurant loans was 44% and the average loan balance was \$801 thousand. There were no restaurant loans in special mention or substandard loans. Approximately 66% or \$38 million of restaurant loans are to franchise quick-service restaurants. At March 31, 2024, we have \$40 million of office loans with a weighted average LTV of 64% and average loan balance of \$581 thousand. A large percentage of the related office properties are located outside of large cities.

(Loan balance at unpaid principal balance)	(in thousands)				
	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Special mention loan balances	\$ 13,737	\$ 18,392	\$ 20,043	\$ 20,507	\$ 6,636
Substandard loan balances	14,733	19,596	16,171	19,203	15,439
Criticized loans, end of period	<u>\$ 28,470</u>	<u>\$ 37,988</u>	<u>\$ 36,214</u>	<u>\$ 39,710</u>	<u>\$ 22,075</u>

Mortgage Servicing Rights. Mortgage servicing rights ("MSR") assets are initially measured at fair value; assessed at least quarterly for impairment; carried at the lower of the initial capitalized amount, net of accumulated amortization, or estimated fair value. MSR assets are amortized in proportion to and over the period of estimated net servicing income, with the amortization recorded in non-interest expense in the consolidated statement of operations. The valuation of MSRs and related amortization thereon are based on numerous factors, assumptions, and judgments, such as those for: changes in the mix of loans, interest rates, prepayment speeds, and default rates. Changes in these factors, assumptions and judgments may have a material effect on the valuation and amortization of MSRs. Although management believes that the assumptions used to evaluate the MSRs for impairment are reasonable, future adjustment may be necessary if future economic conditions differ substantially from the economic assumptions used to determine the value of MSRs.

The fair market value of the Company's MSR asset was \$5.4 million at March 31, 2024, compared to \$5.6 million at December 31, 2023. At March 31, 2024, the Company identified MSR impairment, and recorded a related valuation allowance of \$5 thousand. At December 31, 2023, there was no MSR impairment or related valuation allowance.

The unpaid balances of one-to-four family residential real estate loans serviced for others as of March 31, 2024, and December 31, 2023, were \$489.7 million and \$495.5 million, respectively. The fair market value of the Company's MSR asset as a percentage of its servicing portfolio at March 31, 2024, and December 31, 2023, was 1.11% and 1.13%, respectively.

Deposits. Deposits have grown each quarter since March 31, 2023. Total deposits increased \$8.4 million during the quarter ended March 31, 2024, to \$1.53 billion. During the current quarter: 1) consumer deposits grew \$12.4 million, primarily in CD's; 2) public deposits grew \$20 million, largely due to seasonal growth and are expected to decrease modestly the next quarters due to seasonal shrinkage; 3) commercial deposits shrank \$9.7 million, largely due to seasonal decrease growth in non-interest-bearing deposits, although the growth was less than what was experienced in the first quarter of 2023; and 4) brokered deposits decreased \$14.3 million, primarily due to CD maturities not replaced due to organic deposit growth. Deposit composition changed during the first quarter of 2024, as both business and retail depositors sought higher yields on deposit accounts.

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Consumer deposits	\$ 827,290	\$ 814,899	\$ 794,970	\$ 790,404	\$ 786,614
Commercial deposits	414,088	423,762	429,358	401,079	391,534
Public deposits	202,175	182,172	163,734	175,869	194,683
Brokered deposits	83,936	98,259	85,173	97,330	63,962
Total deposits	\$ 1,527,489	\$ 1,519,092	\$ 1,473,235	\$ 1,464,682	\$ 1,436,793

At March 31, 2024, the deposit portfolio composition was 54% consumer, 27% commercial, 13% public and 6% brokered deposits compared to 54% consumer, 28% commercial, 12% public and 6% brokered deposits at December 31, 2023.

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Non-interest bearing demand deposits	\$ 248,537	\$ 265,704	\$ 275,790	\$ 261,876	\$ 247,735
Interest bearing demand deposits	361,278	343,276	336,962	358,226	390,730
Savings accounts	177,595	176,548	183,702	206,380	214,537
Money market accounts	387,879	374,055	312,689	288,934	309,005
Certificate accounts	352,200	359,509	364,092	349,266	274,786
Total deposits	\$ 1,527,489	\$ 1,519,092	\$ 1,473,235	\$ 1,464,682	\$ 1,436,793

Uninsured and uncollateralized deposits were \$265.1 million, or 17% of total deposits, at March 31, 2024, and \$275.8 million, or 18% of total deposits, at December 31, 2023. Uninsured deposits alone, i.e., excluding fully secured government deposits, at March 31, 2024, were \$429.1 million, or 28% of total deposits, and \$427.5 million, or 28% of total deposits at December 31, 2023.

On-balance sheet liquidity collateralized new borrowing capacity and uncommitted federal funds borrowing availability totaled \$696.8 million, or 263% of uninsured and uncollateralized deposits at March 31, 2024. At December 31, 2023, on-balance sheet liquidity, collateralized borrowing and uncommitted federal funds availability totaled \$673.6 million, or 244% of uninsured and uncollateralized deposits.

Federal Home Loan Bank (FHLB) advances and Other Borrowings. A summary of Federal Home Loan Bank (FHLB) advances and other borrowings at March 31, 2024, and December 31, 2023, is as follows:

	March 31, 2024							December 31, 2023							
	Stated Maturity	Amount	Range of Stated Rates						Stated Maturity	Amount	Range of Stated Rates				
Federal Home Loan Bank advances (1), (2), (3) (4)	2024	\$ 24,500	1.44	%	5.45	%	2024	\$ 64,530	0.00	%	5.45	%			
	2025	5,000	1.45	%	1.45	%	2025	5,000	1.45	%	1.45	%			
	2028	10,000	3.82	%	3.82	%	2028	10,000	3.82	%	3.82	%			
Federal Home Loan Bank advances		\$ 39,500						\$ 79,530							
Senior Notes (5)	2034	\$ 18,083	6.75	%	7.50	%	2034	\$ 18,083	6.75	%	7.75	%			
Subordinated Notes (6)	2030	\$ 15,000	6.00	%	6.00	%	2030	\$ 15,000	6.00	%	6.00	%			
	2032	35,000	4.75	%	4.75	%	2032	35,000	4.75	%	4.75	%			
		\$ 50,000						\$ 50,000							
Unamortized debt issuance costs		(560)						(618)							
Total other borrowings		\$ 67,523						\$ 67,465							
Totals		\$ 107,023						\$ 146,995							

(1) The FHLB advances bear fixed rates, require interest-only monthly payments, and are collateralized by a blanket lien on pre-qualifying first mortgages, home equity lines, multi-family loans and certain other loans which had a pledged balance of \$1,115.2 million and \$1,106.3 million at March 31, 2024 and December 31, 2023, respectively. At March 31, 2024, the Bank's available and unused portion under the FHLB borrowing arrangement was approximately \$397.2 million compared to \$370.6 million as of December 31, 2023.

(2) Maximum month-end borrowed amounts outstanding under this borrowing agreement were \$64.0 million and \$217.5 million, during the three months ended March 31, 2024 and the twelve months ended December 31, 2023, respectively.

(3) The weighted-average interest rate on FHLB borrowings maturing within twelve months as of March 31, 2024 and December 31, 2023 were 2.73% and 4.16%, respectively.

(4) FHLB term notes totaling \$10.0 million, with 2028 maturity dates, are callable once by the FHLB in June of 2024.

(5) Senior notes, entered into by the Company in June 2019 consist of the following:

(a) A term note, which was subsequently refinanced in March 2022 and modified in February of 2023, requiring quarterly interest-only payments through March 2027, and quarterly principal and interest payments thereafter. Interest is variable, based on US Prime rate minus 75 basis points with a floor rate of 3.00%.

(b) A \$5.0 million line of credit, maturing August 1, 2024, that remains undrawn upon.

(6) Subordinated notes resulted from the following:

(a) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in August 2020, which bears a fixed interest rate of 6.00% for five years. In September 2025, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 591 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

(b) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in March 2022, which bears a fixed interest rate of 4.75% for five years. In April 2027, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 329 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

FHLB advances decreased \$40.0 million to \$39.5 million as of March 31, 2024, compared to \$79.5 million as of December 31, 2023. The decrease is a result of decreased funding needs due to increases in deposits, loan shrinkage and a decrease in non-interest-bearing cash. At March 31, 2024, short-term FHLB advances consisted of \$9.5 million maturing in April 2024. The Bank has an irrevocable Standby Letter of Credit Master Reimbursement Agreement with the Federal Home Loan Bank. This irrevocable standby letter of credit ("LOC") is supported by loan collateral as an alternative to directly pledging investment securities on behalf of a municipal customer as collateral for their interest-bearing deposit balances. The Bank's current unused borrowing capacity, supported by loan collateral as of March 31, 2024, is approximately \$397.2 million.

At March 31, 2024, and December 31, 2023, the Bank had the ability to borrow \$21.6 million and \$22.4 million from the Federal Reserve Bank of Minneapolis. The ability to borrow is based on mortgage-backed securities pledged with a carrying value of \$28.9 million and \$29.2 million as of March 31, 2024, and December 31, 2023, respectively. There were no related Federal Reserve borrowings outstanding as of March 31, 2024, or December 31, 2023.

The Bank maintains two unsecured federal funds purchased lines of credit with banking partners which total \$70 million. These lines bear interest at the lender banks announced daily federal funds rate, mature daily, and are revocable at the discretion of the lending institution. There were no borrowings outstanding on these lines of credit as of March 31, 2024, or December 31, 2023. Additionally, we have a \$5.0 million revolving line of credit which is available as needed for general liquidity purposes.

See Note 7, "Federal Home Loan Bank Advances and Other Borrowings" for more information.

Stockholders' Equity. Total stockholders' equity was \$172.8 at March 31, 2024, compared to \$173.3 million at December 31, 2023. The decrease in stockholder's equity was attributable to: 1) the annual cash dividend paid in February to common stockholders of \$0.32 per share, or \$3.3 million; and 2) the ten-year US Treasury rate of 4.20% at March 31, 2024, compared to 3.88% at December 31, 2023. Unrealized losses on AFS securities are reflected in accumulated other comprehensive income. These reductions to equity were partially offset by net income of \$4.1 million.

On July 23, 2021, the Board of Directors adopted a share repurchase program. There were 50 thousand shares repurchased in the first quarter of 2024 at a price of \$11.95 per share. As of March 31, 2024, an additional 152 thousand shares remain available for repurchase.

Liquidity and Asset / Liability Management. Liquidity management refers to our ability to ensure cash is available in a timely manner to meet loan demand, depositors' needs, and meet other financial obligations as they become due without undue cost, risk, or disruption to normal operating activities. We manage and monitor our short-term and long-term liquidity positions and needs through a regular review of maturity profiles, funding sources, and loan and deposit forecasts to minimize funding risk. A key metric we monitor is our liquidity ratio, calculated as cash and unpledged securities portfolio divided by total assets. At March 31, 2024, our on-balance sheet liquidity ratio of 11.4% was flat with the December 31, 2023, level.

There are no material customers or industry deposit concentrations. A decrease in deposits during January occurred as commercial customers decreased their cash balances to support the needs of their businesses. At March 31, 2024, the deposit portfolio composition was 54% consumer, 27% commercial, 13% public and 6% brokered deposits compared to 54% consumer, 28% commercial, 12% public and 6% brokered deposits at December 31, 2023.

Uninsured and uncollateralized deposits were \$265.1 million, or 17% of total deposits, at March 31, 2024, and \$275.8 million, or 18% of total deposits, at December 31, 2023. Uninsured deposits alone, i.e., excluding fully secured government deposits, at March 31, 2024, were \$429.1 million, or 28% of total deposits, and \$427.5 million, or 28% of total deposits at December 31, 2023.

On-balance sheet liquidity collateralized new borrowing capacity and uncommitted federal funds borrowing availability totaled \$696.8 million, or 263% of uninsured and uncollateralized deposits at March 31, 2024. At December 31, 2023, on-balance sheet liquidity, collateralized borrowing and uncommitted federal funds availability totaled \$673.6 million, or 244% of uninsured and uncollateralized deposits.

Our primary sources of funds are deposits, amortization, prepayments and maturities on the investment and loan portfolios and funds provided from operations. We use our sources of funds primarily to meet ongoing commitments, to pay maturing certificates of deposit and savings withdrawals, and to fund loan commitments. While scheduled payments from the amortization of loans and maturing short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. Although \$311.9 million of our \$352.2 million (89%) CD portfolio will mature within the next 12 months, we have historically retained a majority of our maturing CD's. However, due to strategic pricing decisions regarding rate matching and branch closures, our retention rate decreased in 2021 and early 2022. Since June of 2022, we strategically increased deposit pricing, which resulted in modest growth in certificates. Retail non-maturity interest-bearing accounts have increased at approximately the same rate as the certificate accounts, as our customers have moved to higher-yielding certificates and spent money. Through new deposit product offerings to our branch and commercial customers, we are currently attempting to strengthen customer relationships to attract additional non-rate sensitive deposits. However, this is challenging in the current competitive environment.

We maintain access to additional sources of funds including FHLB borrowings and lines of credit with the Federal Reserve Bank, and our correspondent banks. We utilize FHLB borrowings to leverage our capital base, to provide funds for our lending and investment activities, and to manage our interest rate risk. Our borrowing arrangement with the FHLB calls for pledging certain qualified real estate, commercial and industrial loans, and borrowing up to 75% of the value of those loans, not to exceed 35% of the Bank's total assets. Currently, we have approximately \$397.2 million available to borrow under this arrangement, supported by loan collateral as of March 31, 2024. We also had borrowing capacity of \$21.6 million at the Federal Reserve Bank. The bank maintains \$70 million of uncommitted federal funds purchased lines with correspondent banks as part of our contingency funding plan. In addition, the Company has a \$5.0 million revolving line of credit which is available as needed for general liquidity purposes. While the Bank does not have formal brokered certificate lines of credit with counter parties at March 31, 2024, we believe that the Bank could access this market, which provides an additional potential source of liquidity, as evidenced by access to this market during the past four quarters. See Note 7, "Federal Home Loan Bank and Other Borrowings" of "Notes to Consolidated Financial Statements" which are included in Part I, Item 1, "Financial Statements and Supplementary Data" of this Form 10-Q, for further detail.

In reviewing the adequacy of our liquidity, we review and evaluate historical financial information, including information regarding general economic conditions, current ratios, management goals and the resources available to meet our anticipated liquidity needs. Management believes that our liquidity is adequate, and to management's knowledge, there are no known events or uncertainties that will result or are likely to reasonably result in a material increase or decrease in our liquidity.

Off-Balance Sheet Liabilities. In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments, issued to meet customer financial needs. Such financial instruments are recorded in the financial statements when they become payable. These instruments include unused commitments for lines of credit, overdraft protection lines of credit and home equity lines of credit, as well as commitments to extend credit. As of March 31, 2024, the Company had approximately \$182.6 million in unused loan commitments, compared to approximately \$210.4 million in unused commitments as of December 31, 2023. In addition, there are \$3.4 million of commitments for contributions of capital to an SBIC and an investment company at March 31, 2024. These commitments totaled \$3.4 million at December 31, 2023.

Capital Resources. As of March 31, 2024, and December 31, 2023, as shown in the table below, the Bank's Tier 1 and Risk-based capital levels exceeded levels necessary to be considered "Well Capitalized" under Prompt Corrective Action provisions.

Below are the amounts and ratios for our capital levels as of the dates noted below for the Bank:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions			
	Amount	Ratio	Amount	Ratio	Amount	Ratio		
<u>As of March 31, 2024 (Unaudited)</u>								
Total capital (to risk weighted assets)	\$ 229,819	14.9 %	\$ 123,277	> =	8.0 %	\$ 154,097	> =	10.0 %
Tier 1 capital (to risk weighted assets)	210,507	13.7 %	92,458	> =	6.0 %	123,277	> =	8.0 %
Common equity tier 1 capital (to risk weighted assets)	210,507	13.7 %	69,344	> =	4.5 %	100,163	> =	6.5 %
Tier 1 leverage ratio (to adjusted total assets)	210,507	11.7 %	72,000	> =	4.0 %	90,000	> =	5.0 %
<u>As of December 31, 2023 (Audited)</u>								
Total capital (to risk weighted assets)	\$ 228,092	14.6 %	\$ 124,883	> =	8.0 %	\$ 156,104	> =	10.0 %
Tier 1 capital (to risk weighted assets)	208,726	13.4 %	93,662	> =	6.0 %	124,883	> =	8.0 %
Common equity tier 1 capital (to risk weighted assets)	208,726	13.4 %	70,247	> =	4.5 %	101,468	> =	6.5 %
Tier 1 leverage ratio (to adjusted total assets)	208,726	11.5 %	72,479	> =	4.0 %	90,599	> =	5.0 %

At March 31, 2024, and December 31, 2023, the Bank was categorized as "Well Capitalized" under Prompt Corrective Action Provisions, as determined by the OCC, our primary regulator.

Below are the amounts and ratios for our capital levels as of the dates noted below for the Company:

	Actual		For Capital Adequacy Purposes			
	Amount	Ratio	Amount	Ratio		
<u>As of March 31, 2024 (Unaudited)</u>						
Total capital (to risk weighted assets)	\$ 229,366	14.9 %	\$ 123,277	> =	8.0 %	%
Tier 1 capital (to risk weighted assets)	160,054	10.4 %	92,458	> =	6.0 %	%
Common equity tier 1 capital (to risk weighted assets)	160,054	10.4 %	69,344	> =	4.5 %	%
Tier 1 leverage ratio (to adjusted total assets)	160,054	8.9 %	72,000	> =	4.0 %	%
<u>As of December 31, 2023 (Audited)</u>						
Total capital (to risk weighted assets)	\$ 230,160	14.7 %	\$ 124,883	> =	8.0 %	%
Tier 1 capital (to risk weighted assets)	160,794	10.3 %	93,662	> =	6.0 %	%
Common equity tier 1 capital (to risk weighted assets)	160,794	10.3 %	70,247	> =	4.5 %	%
Tier 1 leverage ratio (to adjusted total assets)	160,794	8.9 %	72,479	> =	4.0 %	%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time and are not predictable or controllable. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. Like other financial institutions, our interest income and interest expense are affected by general economic conditions and policies of regulatory authorities, including the monetary policies of the Federal Reserve. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk through several means including through the use of third-party reporting software. In monitoring interest rate risk, we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

In order to manage the potential for adverse effects of material and prolonged increases in interest rates on our results of operations, we adopted asset and liability management policies to better align the maturities and re-pricing terms of our interest earning assets and interest-bearing liabilities. These policies are implemented by our Asset and Liability Management Committee (ALCO). The ALCO is comprised of members of the Bank's senior management and Board of Directors. The ALCO establishes guidelines for and monitors the volume and mix of our assets and funding sources, taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The Committee's objectives are to manage assets and funding sources to produce results that are consistent with liquidity, cash flow, capital adequacy, growth, risk, and profitability goals for the Bank. The ALCO meets on a regularly scheduled basis to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to net present value of portfolio equity analysis. At each meeting, the Committee recommends strategy changes, as appropriate, based on this review. The Committee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the Bank's Board of Directors on a regularly scheduled basis.

In managing our assets and liabilities to achieve desired levels of interest rate risk, we have focused our strategies on:

- originating shorter-term secured commercial, agricultural and consumer loan maturities;
- originating variable rate commercial and agricultural loans;
- the sale of a vast majority of longer-term fixed-rate residential loans in the secondary market with retained servicing;
- managing our funding needs growing core deposits;
- utilize brokered certificate of deposits and borrowings as appropriate, which may have fixed rates with varying maturities;
- purchasing investment securities to modify our interest rate risk profile.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the ALCO may determine to increase the Bank's interest rate risk position somewhat in order to maintain or improve its net interest margin.

The following table sets forth, at March 31, 2024 and December 31, 2023, an analysis of our interest rate risk as measured by the estimated changes in Economic Value of Equity ("EVE") resulting from an immediate and permanent shift in the yield curve (up 300 basis points and down 200 basis points).

Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Percent Change in Economic Value of Equity (EVE)	
	At March 31, 2024	At December 31, 2023
+300 bp	(2) %	0 %
+200 bp	(1) %	0 %
+100 bp	0 %	0 %
-100 bp	0 %	0 %
-200 bp	(1) %	(2) %

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

Our overall interest rate sensitivity is demonstrated by net interest income shock analysis, which measures the change in net interest income in the event of hypothetical changes in interest rates. This analysis assesses the risk of change in our net interest income over the next 12 months in the event of an immediate and parallel shift in the yield curve (up 300 basis points and down 200 basis points). The table below presents our projected change in net interest income for the various rate shock levels at March 31, 2024, and December 31, 2023.

Change in Interest Rates in Basis Points (^b bp)	Percent Change in Net Interest Income Over One Year Horizon	
	Rate Shock in Rates (1)	At March 31, 2024
+300 bp	(12)%	(13)%
+200 bp	(8)%	(8)%
+100 bp	(4)%	(4)%
-100 bp	4 %	4 %
-200 bp	6 %	7 %

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

Note: The table above may not be indicative of future results.

The projected changes in net interest income in the rate shock scenarios is largely due to the impact of growth in short-term certificates of deposits, which reprice faster and at a higher rate than other deposit products. The assumptions used to measure and assess interest rate risk include interest rates, loan prepayment rates, deposit decay (runoff) rates, and the market values of certain assets under differing interest rate scenarios. Actual values may differ from those projections set forth above should market conditions vary from the assumptions used in preparing the analysis. Further, the computations do not contemplate any actions we may undertake in response to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives. We carried out an evaluation as of March 31, 2024, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024, at reaching a level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and/or the Bank occasionally become involved in other various legal proceedings. In our opinion, any liability from such proceedings would not have a material adverse effect on the business or financial condition of the Company.

Item 1A. RISK FACTORS

The information in this Form 10-Q should be read in conjunction with the risk factors described in "Risk Factors" in Item 1A of our 2023 10-K and the information under "Forward-Looking Statements" in this Form 10-Q and in our 2023 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not applicable.
- (b) Not applicable.
- (c) Issuer Purchases of Equity Securities.

On July 23, 2021, the Board of Directors adopted a share repurchase program, pursuant to which Citizens Community Bancorp, Inc. is authorized to repurchase 532,962 shares of its common stock, or approximately 5% of the outstanding shares on that date. As of the beginning of the quarter ended March 31, 2024, 202,159 shares were available for purchase under the share repurchase program. During the quarter ended March 31, 2024, 50,000 shares were repurchased under the program. As of March 31, 2024, an additional 152,159 shares remain available for repurchase under the program.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2024 - January 31, 2024	—	\$ —	—	202,159
February 1, 2024 - February 29, 2024	—	\$ —	—	202,159
March 1, 2024 - March 31, 2024	50,000	\$ 11.90	50,000	152,159
Total	50,000	\$ 11.90	50,000	50,000

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION*Employment Agreements*

On May 2, 2024, the Company, together with CCFBank, entered into the Fourth Amended and Restated Executive Employment Agreement with Stephen M. Bianchi, its Chairman, President and CEO (the "Bianchi Employment Agreement"), and the Third Amended and Restated Executive Employment Agreement with James S. Broucek, its CFO (the "Broucek Employment Agreement").

The Bianchi Employment Agreement reflects Mr. Bianchi's current salary of \$396,344.00. The Broucek Employment Agreement reflects Mr. Broucek's current salary of \$241,020.00.

Both the Bianchi Employment Agreement and the Broucek Employment Agreement clarified the existing severance provisions and attached template forms of release.

The foregoing descriptions of the Bianchi Employment Agreement and the Broucek Employment Agreement are qualified in their entirety by reference to the provisions of the applicable employment agreement, each of which is filed as an exhibit to this Quarterly Report on Form 10-Q.

Rule 10b5-1 Trading Plans

During the three months ended March 31, 2024, none of our Section 16 officers or directors adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K during the covered period.

Item 6. EXHIBITS

(a) Exhibits

10.1 [Fourth Amended and Restated Executive Employment Agreement by and between Citizens Community Bancorp, Inc., Citizens Community Federal N.A. and Stephen M. Bianchi, dated as of May 2, 2024 \(filed herewith\)](#)

10.2 [Third Amended and Restated Executive Employment Agreement by and between Citizens Community Bancorp, Inc., Citizens Community Federal N.A. and James R. Broucek, dated as of May 2, 2024 \(filed herewith\)](#)

31.1 [Rule 13a-14\(a\) Certification of the Company's Chief Executive Officer](#)

31.2 [Rule 13a-14\(a\) Certification of the Company's Chief Financial Officer](#)

32.1* [Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 \(Section 906 of the Sarbanes-Oxley Act of 2002\)](#)

101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CITIZENS COMMUNITY BANCORP, INC.

Date: May 8, 2024

By: /s/ Stephen M. Bianchi
Stephen M. Bianchi
Chief Executive Officer

Date: May 8, 2024

By: /s/ James S. Broucek
James S. Broucek
Chief Financial Officer

FOURTH AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Fourth Amended and Restated Executive Employment Agreement (the “Agreement”) is made effective as of May 2, 2024 (the “Effective Date”), by and between Citizens Community Bancorp, Inc., a Maryland corporation, (the “Holding Company”) and its wholly-owned subsidiary, Citizens Community Federal, N.A., a national banking association (the “Bank”) (collectively, the “Company”), and Stephen M. Bianchi (“Executive”).

WHEREAS, the Company and Executive entered into an Executive Employment Agreement dated June 24, 2016 (the “Executive Employment Agreement”); and

WHEREAS, the Company and Executive entered into an Amended and Restated Executive Employment Agreement dated May 25, 2017 (the “Amended Executive Employment Agreement”) that superseded and replaced the Executive Employment Agreement; and

WHEREAS, the Company and Executive entered into a Second Amended and Restated Executive Employment Agreement dated November 1, 2019 (the “Second Amended Executive Employment Agreement”) that superseded and replaced the Amended Executive Employment Agreement; and

WHEREAS, the Company and Executive entered into an Addendum No. 1 to the Second Amended and Restated Executive Employment Agreement dated April 23, 2020 (the “2020 Addendum”) that superseded and replaced certain provisions of Section 5(d) the Second Amended Executive Employment Agreement; and

WHEREAS, the Company and Executive entered into a Third Amended and Restated Executive Employment Agreement dated April 21, 2022 (the “Third Amended Executive Employment Agreement”) that superseded and replaced the Second Amended Executive Employment Agreement as modified by the 2020 Addendum; and

WHEREAS, the Company and Executive entered into an Addendum No. 1 to the Third Amended and Restated Executive Employment Agreement dated December 13, 2023 (the “2023 Addendum”) that superseded and replaced Section 3(k) the Third Amended Executive Employment Agreement; and

WHEREAS, the Company and Executive now desire to amend and restate certain terms of the Third Amended Executive Employment Agreement as modified by the 2023 Addendum; and

WHEREAS, the Company desires to employ Executive upon the amended and restated terms and conditions set forth herein, and Executive desires to be so employed by the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Term of Employment.** Executive’s employment hereunder shall commence as of the Effective Date and continuing thereafter until December 31, 2025, unless and until terminated

pursuant to the terms of Section 4 of this Agreement (the “Term”). Notwithstanding the foregoing, the Term shall automatically be extended for additional one-year periods (each, a “Renewal Term”) on the terms and conditions provided herein, unless either party shall give the other party no less than ninety (90) days’ written notice prior to the expiration of the Term or Renewal Term, as applicable. The Term and the Renewal Term, if applicable, shall be collectively referred to as the “Employment Term.”

2. Position and Duties.

(a) Position. During the Employment Term, Executive shall serve as the President of the Bank, and President and Chief Executive Officer of the Holding Company, reporting exclusively to the Holding Company’s Board of Directors (the “Board”). Executive shall also serve as an appointed member of Board of Directors of the Bank (the “Bank Board”) and the Board of Directors of the Holding Company (the “Holding Company Board”). In such positions, Executive shall have such duties, authority and responsibility as shall be determined from time to time by the Board and as are customarily performed by persons situated in a similar executive capacity.

(b) Duties. During the Employment Term, Executive shall devote substantially all of his business time and attention to the performance of Executive’s duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) acting or serving as a director, trustee, committee member or principal of any type of business, civic or charitable organization, or (ii) owning any interest in any other corporation, business or enterprise, subject to Section 6 below.

3. Compensation and Benefits.

(a) Salary. The Company shall pay Executive a salary of Three Hundred Ninety-Six Thousand Three Hundred Forty-Four and 00/100 Dollars (\$396,344.00) per year, payable in regular biweekly installments, in accordance with the Company’s usual payroll procedures (the “Salary”). Executive’s base Salary shall be subject to at least annual review on each December 31 and may be increased based on Executive’s performance and contribution to the Company, as determined by the Board.

(b) Short Term Incentive Plan Awards. Executive shall be eligible to receive an annual incentive award pursuant to the terms of the Bank’s Executive Short Term Incentive Plan and Executive’s individual incentive goal sheet appended thereto, and any successor plan thereto.

(c) Long Term Incentive Plan Awards. Executive shall be eligible to receive incentive awards pursuant to the terms of the Bank’s Executive Long Term Incentive Plan and the Holding Company’s 2018 Equity Incentive Plan, and any successor plans thereto.

(d) Benefits. Executive shall be entitled to participate in any and all benefit programs, such as health insurance and retirement plans, subject to applicable plan or policy terms, that the Company establishes and makes available to its other similarly

situated senior executives from time to time, provided that Executive is eligible to participate under the plan documents governing those programs. The Company reserves the right to modify or discontinue, either on a company-wide basis or as applicable to all comparably-situated Company employees, any employee benefit already provided or as may be provided in the future.

(e) Paid Time Off. During the Employment Term, Executive will be entitled to paid time off (PTO) at the maximum accrual rate, and pursuant to the other terms, as set forth in the Bank's Paid Time Off policy effective July 1, 2017, or any successor policy thereto or as otherwise approved by the Compensation Committee. Executive shall receive other paid time-off in accordance with the Company's policies for executive officers as such policies may exist from time to time. Executive shall receive payment for all accrued but unused PTO, if any, within thirty (30) days following the termination of Executive's employment.

(f) Business Expenses. Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by Executive in connection with the performance of Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. Reimbursement shall be paid as soon as administratively practicable, but in no event shall any such reimbursement be paid after the last day of the calendar year following the calendar year in which the expense was incurred. The right hereunder to reimbursement is not subject to liquidation or exchange for other benefits.

(g) Automobile Expenses. The Company shall pay Executive a monthly automotive allowance of \$1,000.00 during the Term and any Renewal Term and will reimburse Executive for the use by Executive of Executive's personal automobile in connection with Executive's performance of his job duties to the maximum extent permissible under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(h) Withholdings and Taxes. All payments to Executive will be payable pursuant to the Company's normal payroll practices. The Company shall deduct from all payments to Executive hereunder any federal, state or local withholding or other taxes or charges which the Company is from time to time required to deduct under applicable law, and all amounts payable to Executive hereunder are stated herein before any such deductions.

(i) Liability Insurance; Indemnification. The Bank shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at the Bank's expense or, in lieu thereof, shall indemnify the Executive (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank (whether

or not he continues to be a director or officer at the time of incurring such expenses or liabilities). Such expenses and liabilities shall include, but are not limited to, judgments, court costs, attorneys' fees and the cost of reasonable settlements, and such settlements shall be approved by the Board; provided, however, that such indemnification shall not extend to matters as to which the Executive is finally adjudged to be liable for willful misconduct or gross negligence in the performance of his duties as a director or officer of the Bank.

(j) Discretionary Performance Bonus. The Bank in its discretion from time to time may provide Executive with a bonus based on factors as determined by the Bank's Board. The amount, form, terms and timing of any such bonus shall be determined by the Bank's Board in its sole discretion.

(k) Clawback of Incentive Compensation. The Company may terminate Executive's right to the unpaid or unvested incentive compensation under Sections 3(b) and 3(c), and may require reimbursement to the Company by Executive of any incentive compensation previously paid or vested pursuant to any applicable incentive compensation plan or award agreement, in the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under securities laws, or Executive is otherwise obligated to disgorge to or reimburse the Company for such compensation paid or payable to Executive by reason of application of Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other applicable law or regulation requiring recapture, reimbursement or disgorgement of incentive-based pay. The incentive compensation received by Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement is subject to forfeiture or reimbursement pursuant to the terms of this Section 3(k). In the event Executive fails to make prompt reimbursement of any such incentive compensation previously paid, the Company may, to the extent permitted by applicable law, deduct the amount required to be reimbursed from Executive's compensation otherwise due under this Agreement.

4. Termination of Employment. During the Employment Term, Executive's employment and this Agreement may be terminated only under the following circumstances.

(a) Termination by the Company for Cause, or by Executive without Good Reason. The Employment Term and Executive's employment hereunder may be terminated immediately by the Company for Cause, and shall terminate upon Executive's resignation without Good Reason; provided, that Executive will be required to give the Company at least thirty (30) days advance written notice of a resignation without Good Reason.

(b) Definition of Cause. For purposes of this Agreement, "Cause" shall mean a good faith determination by the Board that Executive has: (A) committed a material act of dishonesty or disloyalty involving the Company; (B) committed a felony or misdemeanor involving dishonesty or moral turpitude which has a material adverse effect on the business of the Company; (C) engaged in willful conduct which is materially

injurious to the Company; or (D) materially breached any provision of this Agreement, which breach is not cured within thirty (30) days after written notice thereof is given to Executive, explaining in reasonable detail the nature of such asserted breach.

(c) Definition of Good Reason. For purposes of this Agreement, “Good Reason” shall mean, without the consent of Executive, (A) the material diminution of Executive’s position (including status, offices, titles, and reporting requirements), authorities, duties, or other such responsibilities as exist immediately prior to the diminution; (B) the material reduction in Executive’s Salary, or benefits under Section 3(d), unless such reduction is part of a reduction in compensation for all Executives of the Company on a pro rata basis; (C) the relocation of Executive’s principal place of employment of greater than 50 miles from Executive’s location immediately prior to the relocation.

(d) Notice Requirements for Good Reason Termination. If Executive intends to terminate Executive’s employment for Good Reason: (i) Executive must give the Company written notice of the facts or events giving rise to Good Reason within thirty (30) days following Executive’s knowledge of the facts or event alleged to give rise to Good Reason; (ii) the Company must fail to cure the act or omission within thirty (30) days following the Company’s receipt of such notice; and (iii) Executive must give the Company written notice that his employment is terminated for Good Reason within thirty (30) days following such failure to cure. The failure by Executive to give such notice of Good Reason shall be deemed a waiver of the right to terminate Executive’s employment for Good Reason based on such fact or event.

(e) Definition of Change in Control. For the purposes of this Agreement, “Change in Control” shall mean any of the following:

- i. a change-in-control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Holding Company is then subject to such reporting requirement; or
- ii. the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Holding Company or any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) that such person has become the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Holding Company (i) representing 30% or more, but not more than 50%, of the combined voting power of the Holding Company’s then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors (as hereinafter defined); or (ii) representing more than 50% of the combined voting power of the Holding Company’s then outstanding securities (regardless of any approval by the Continuing Directors); provided, however, that notwithstanding the

foregoing, no Change-in-Control shall be deemed to have occurred for purposes of this Agreement by reason of the ownership of 30% or more of the total voting capital stock of the Holding Company then issued and outstanding by the Holding Company, any subsidiary of the Holding Company or any employee benefit plan of the Holding Company or of any subsidiary of the Holding Company or any entity holding shares of the Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan (any such person or entity described in this clause is referred to herein as a “Company Entity”); or

- iii. the Continuing Directors (as hereinafter defined), cease to constitute a majority of the Holding Company’s Board of Directors; or
- iv. the shareholders of the Holding Company approve (i) any consolidation or merger of the Holding Company in which the Holding Company is not the continuing or surviving company or pursuant to which shares of Holding Company stock would be converted into cash, securities or other property, other than a merger of the Holding Company in which shareholders immediately prior to the merger have the same proportionate ownership of stock of the surviving company immediately after the merger; (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Holding Company; or (iii) any plan of liquidation or dissolution of the Holding Company.

For purposes of this definition, “Continuing Director” shall mean any person who is a member of the Board of Directors of the Holding Company, while such person is a member of the Board of Directors, who is not an Acquiring Person (as defined below) or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (i) was a member of the Board of Directors on the date of this Agreement; or (ii) subsequently becomes a member of the Board of Directors, if such person’s initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the then Continuing Directors. For purposes of this definition, “Acquiring Person” shall mean any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act) directly or indirectly, of securities of the Holding Company representing 30% or more of the combined voting power of the Holding Company’s then outstanding securities, but shall not include any Holding Company Entity; and “Affiliate” and “Associate” shall have their respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(f) Termination by Reason of Death or Disability. Executive’s employment hereunder shall terminate automatically upon Executive’s death during the Employment Term. If the Company determines in good faith that a Disability (as defined below) of

Executive has occurred during the Employment Term, the Company may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by Executive; provided, that within thirty (30) days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" has the same meaning as in the Company's long-term disability plan, or if there is no such plan, or no definition in such plan, "Disability" means a mental or physical condition which, in the opinion of the Board, renders Executive unable or incompetent to carry out the material job responsibilities which such Executive held or the material duties to which Executive was assigned at the time the disability was incurred, which has existed for at least one hundred eighty (180) consecutive days and, which condition, in the opinion of an independent physician selected by the Company, is expected to be permanent or to have a duration of more than one (1) year.

(g) Termination by the Company without Cause, or Resignation by Executive for Good Reason. The Employment Term and Executive's employment hereunder may be terminated by the Company without Cause (other than by reason of death or Disability) or by resignation by Executive for Good Reason.

(h) Termination by the Company without Cause, or Resignation by Executive for Good Reason Following a Change in Control. If a Change in Control occurs during the Employment Term, and the Employment Term and Executive's employment hereunder is terminated by the Company without Cause (other than by reason of death or Disability) or by resignation by Executive for Good Reason, in each case, within 24 months following the Change in Control, then Executive shall receive the benefits set forth in Section 5(d). Payment of the benefits set forth in Section 5(d) shall be made promptly pursuant to the terms of this Agreement and without unreasonable delay.

(i) Notice of Termination. Any purported termination of Executive's employment by either party shall be communicated by written Notice of Termination to the other party. As used herein, "Termination Date" shall mean in the case of Executive's death, his date of death, or in all other cases of termination by the Company, the date specified in the Notice of Termination which shall be at least 30 days following the date of the Notice of Termination, except for termination for Cause which may be on or after the date of the Notice of Termination.

(j) Director and Officer Positions. Upon the voluntary or involuntary termination of Executive's employment for any reason, Executive will be deemed to have resigned from all director and officer positions he then holds with the Bank, the Holding Company, and any related or affiliated entity, and Executive agrees that this Agreement shall constitute affirmation of such resignations.

(k) Return of Records and Property. Upon termination of Executive's employment with the Company for any reason, or at the Company's earlier request, Executive shall deliver promptly to the Company originals and all copies of all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports,

data, tables, or calculations, whether in tangible or electronic format or media, which are the property of the Company or which relate in any way to the business, products, practices or techniques of the Company, and all other property, trade secrets and Confidential Information (as defined herein) of the Company, including, but not limited to, all office keys, security cards, credit cards, office equipment, computer hardware and software, company products and prototypes, and all documents or electronic records which in whole or in part contain any trade secrets or Confidential Information of the Company, which in any of these cases are in Executive's possession or under Executive's control. Executive may not retain any copies of the documents referred to in this Section 4(k). To the extent that Executive has downloaded or stored any proprietary, privileged, confidential or trade secret information belonging to the Company on any personal, non-Company electronic media in Executive's possession, custody, or control, such as computers, cell phones, hand-held devices, back-up devices, zip drives, and the like, Executive agrees to promptly contact the Company to arrange for transfer of such documents and information back to the Company and for destruction of such documents and information on Executive's personal electronic media. Executive also agrees to return to the Company any and all passwords used by Executive with regard to the computer, electronic or communication systems of the Company and to transition all administrative rights used by Executive with regard to all social media and internet-based accounts related to the business operations of the Company, so that the Company has immediate, full and complete access to all data and information stored, used or maintained on or in such systems or accounts. Executive further agrees to not access or interfere with or attempt to access or interfere with any of the Company's computer systems, networks or files.

5. Obligations Upon Termination.

(a) Termination by the Company for Cause, or by Executive without Good Reason. If Executive's employment with the Company is terminated by the Company for Cause, or is voluntarily terminated by Executive without Good Reason, the Company will pay or provide Executive with the following: (i) Executive's Salary earned but unpaid as of the Termination Date, payable in a lump sum within thirty (30) days after the Termination Date (or earlier to the extent required by law); and (ii) all vested benefits to which Executive is entitled under any benefit plans set forth in the benefits section hereof in accordance with the terms of such plans through the Termination Date, including, without limitation, PTO (collectively, the "Accrued Obligations"). Executive shall forfeit any other unvested amounts, including any unearned bonuses.

(b) Termination by Reason of Disability or Death. If Executive's employment with the Company is terminated during the Employment Term by reason of Executive's Disability or death, the Company will pay and/or provide Executive or Executive's legal representative, as the case may be, (i) the Accrued Obligations; (ii) a pro-rated incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan; and (iii) a pro-rated incentive award pursuant to the terms of the Bank's Executive Long Term Incentive Plan.

(c) Termination by the Company without Cause, or Resignation by Executive with Good Reason. If Executive's employment with the Company is terminated by the

Company without Cause or by Executive with Good Reason and as to (ii)-(iv) below Executive irrevocably executes the Release as specified in Section 5(e), promptly upon expiration of any revocation period applicable to the Release but no later than five (5) business days thereafter, the Company will pay or provide Executive with the following:

- i. the Accrued Obligations;
- ii. an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) or, if higher, at actual performance at the time of termination, such amount as prorated through Employee's termination date;
- iii. a payment equal to two hundred percent (200%) of (A) the Executive's annual Salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date; and
- iv. provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, ("COBRA"), continued participation in the Company's medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive's eligibility for coverage under another employer's group health plan, (B) termination of Executive's rights to continuation coverage under COBRA, or (C) eighteen (18) months following the termination of Executive's employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans' obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not limit such plans' obligations to provide continuation coverage under COBRA.

(d) Termination by the Company without Cause, or Resignation by Executive with Good Reason Following a Change in Control. If Executive's employment with the Company is terminated by the Company without Cause or by Executive with Good Reason following a Change in Control pursuant to Section 4(h) and as to (ii)-(iv) below Executive irrevocably executes the Release as specified in Section 5(e), promptly upon expiration of any revocation period applicable to the Release but no later than five (5) business days thereafter, the Company will pay or provide Executive with the following in lieu of any payments under Section 5(c) herein:

- i. the Accrued Obligations;
- ii. an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) or, if higher, at actual performance at the time a definitive agreement is announced, such amount as prorated through Employee's termination date;
- iii. a payment equal to two hundred fifty percent (250%) of (A) the Executive's annual Salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date; and
- iv. provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, ("COBRA"), continued participation in the Company's medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive's eligibility for coverage under another employer's group health plan, (B) termination of Executive's rights to continuation coverage under COBRA, or (C) thirty (30) months following the termination of Executive's employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans' obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not extend such plans' obligations to provide continuation coverage under COBRA. In the event that Executive timely elects COBRA continuation and remains covered under the Company's group health plan, but his right to COBRA continuation terminates under (B) above due to expiration of the maximum COBRA continuation period, and is not extended after 18 months of coverage, then the Company will at that time pay Executive a lump sum amount equal to twelve (12) months of Executive's monthly COBRA premiums, which he may direct toward future health insurance premium payments.

(e) Release. No obligations of the Company or the Bank with respect to payments to Executive pursuant to Section 5(c)(ii)-(iv) or Section 5(d)(ii)-(iv) shall exist or apply unless Executive has on or after the Termination Date timely executed a separation agreement containing a general release in substantially the form attached hereto as Exhibit A as may be updated for legal compliance (the "Release") and any applicable revocation periods in the Release have expired without rescission by Executive.

(f) Vesting. All unvested equity interests held by Executive as of the Termination Date shall terminate and be forfeited, unless those unvested grants shall be deemed to have vested in their entirety as of the Termination Date pursuant to the terms of the applicable grant agreement, the Bank's Executive Long Term Incentive Plan, or the Holding Company's 2018 Equity Incentive Plan, or any successor plans thereto.

(g) Section 280G. Notwithstanding anything to the contrary herein contained, under no circumstances shall the payments made to Executive result in an "excess parachute payment" as defined under Section 280G of the Internal Revenue Code of 1986, as amended. To the extent that such payments could result in an "excess parachute payment," the payments shall be reduced to avoid such result, the manner of which reduction shall be in the sole discretion of the Board of Directors of the Company. Any amounts reduced pursuant to this Section 5(g) shall be deemed forfeited by Executive, and Executive shall have no authority whatsoever to determine the order in which benefits under this Agreement shall be so reduced.

(h) Timing of Severance Payments. The payments, if any, owed to Executive under Section 5(c)(ii)-(iii) or Section 5(d)(ii)-(iii) will be paid in a lump sum on or before the sixtieth (60th) day following Employee's termination, provided that all statutory rescission periods contained in the Release have expired without revocation by Executive, and subject to Section 16 herein. Where the period available to execute (and to not revoke) the Release spans more than one calendar year, the payment shall not be made until the second calendar year as required by the applicable terms of this Agreement and Section 409A of the Internal Revenue Code.

6. Restrictive Covenants.

(a) Need for Restrictions. Executive acknowledges and agrees that the Company's business, technical, and customer information is established and maintained at great expense to the Company and is of significant value to the Company, and that by virtue of employment with the Company, Executive will have information pertaining to, unique and extensive exposure to, and personal contact with, the Company's business, technical and customer information which would enable Executive to compete unfairly with the Company. As a result, and in consideration of the Company's severance obligations under Section 5(c) and Section 5(d), Executive acknowledges and agrees that the following restrictions are necessary to protect the Company's business.

(b) Confidential Information. For purposes of this Agreement, "Confidential Information" means information disclosed to Executive or known by him as a result of or as disclosed in the course of Executive's employment with the Company which is not generally known to the public pertaining to the Company's business, including, but not limited to, operations, contracts, customers, customer lists, proposals, research and development, procedures and protocols, operating models, financial information, pricing, price lists, marketing methods, strategic planning information, information stored in or developed for use with Company's computer systems, insurance plans, risk management information, or marketing programs, and third-party information that the Company may learn from its customers or clients. Confidential Information shall include any such

information developed or created by Executive if the information was developed or created by Executive while executing Executive's duties for the Company or if the information was developed or created by Executive based upon any Confidential Information that Executive learned by virtue of Executive's employment with the Company. Confidential Information shall not include any information that Executive can demonstrate is in the public domain by means other than disclosure by Executive, but shall include non-public compilations, combinations, or analyses of otherwise public information.

(c) Non-Disclosure or Use of Confidential Information. For as long as Executive shall remain employed by the Company, and after termination of employment with the Company for any reason, Executive shall not directly or indirectly, under any circumstances, communicate or disclose to any person, firm, association, corporation, company or any other third party, or use for Executive's own benefit or the benefit of any person or entity other than the Company, any Confidential Information, and Executive will keep secret and in strict confidence and hold inviolate said Confidential Information. Executive further agrees, however, not to disclose to others or use at any time after the termination of his employment with the Company any Confidential Information that constitutes and remains a trade secret under the Wisconsin Trade Secrets Act, as amended (Section 134.90 Wis. Stats.), any Confidential Information that the Company received from a third party and continues to hold in confidence, and any Confidential Information that he is otherwise prohibited by law from disclosing to others or using. The prohibitions of this paragraph do not apply to Confidential Information after it has become generally known and/or in the public domain through no fault of Executive. The prohibitions of this paragraph also do not prohibit use of Executive's general skills and knowledge acquired during and prior to his employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information. This non-disclosure provision does not prohibit Executive from providing truthful information to any governmental entity as required by law or as part of an agency investigation without prior notice to the Company.

(d) Defend Trade Secrets Act. Executive understands that if Executive breaches the provisions of Section 6(c) above, Executive may be liable to the Company under the Defend Trade Secrets Act of 2016 ("DTSA"). Executive further understands that by providing Executive with the following notice, the Company may recover from Executive its attorney fees and exemplary damages if it brings a successful claim against Executive under the DTSA: Under the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (a)(i) in confidence to a federal, state, or local governmental official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Without limiting the foregoing, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive (i) files any document containing the trade secret under seal and (ii) does not disclose the trade secret, except pursuant to court order.

(e) Nonsolicitation of Customers. During Executive's employment, and for a period of twenty-four (24) months following the earlier of (i) the termination of Executive's employment with the Company, whether voluntary or involuntary and whether with or without Cause, or (ii) the date of a Change in Control, Executive shall not, directly or indirectly canvas, contact or solicit any "Active Customer" (as defined below) of the Company for the purpose of selling, offering or providing products or services which are the same as or substantially similar to the products or services provided by the Company at any time during the "Reference Period" (as defined below). "Active Customer" shall mean any person or entity which, within the 12-month period prior to the termination of Executive's employment with the Company (the "Reference Period"), received any products or services supplied by or on behalf of the Company; provided, however, "Active Customer" shall be further limited to those customers of the Company: (i) with whom Executive had material business contact as an Executive of the Company during the Reference Period; (ii) whose dealings with the Company were coordinated or supervised, in whole or in part, by Executive during the Reference Period; or (iii) about whom Executive obtained Special Knowledge (as defined below) as a result of Executive's position with the Company during the Reference Period. "Special Knowledge" means Confidential Information that is used, possessed by or developed for the Company in the course of soliciting, selling to or servicing a customer, including, but not limited to, existing or proposed bids, pricing and cost information, margins, negotiation strategies, sales strategies and information generated for customer engagements.

(f) Non-Solicitation of Company Personnel. During Executive's employment and for a further period of twenty-four (24) months beginning on the earlier of (i) the termination of Executive's employment with the Company under any circumstances or (ii) the date of a Change of Control, Executive agrees that Executive shall not, directly or indirectly, solicit, encourage or induce any employee, consultant, contractor, or other agent of the Company with whom Executive had substantial contact during the Reference Period and who has knowledge of Confidential Information to terminate a relationship (employment or otherwise), or breach any agreement with the Company.

(g) Noncompetition. During Executive's employment, and for a period of eighteen (18) months following the earlier of (i) the termination of Executive's employment with the Company, whether voluntary or involuntary and whether with or without Cause, or (ii) the date of a Change of Control, Executive shall not, directly or indirectly, have a financial interest in, or act in a "Prohibited Capacity" (as defined below) on behalf of, any entity which competes with the Company anywhere within the "Restricted Territory" (as defined below). This restriction shall not apply to any activities conducted on behalf of an entity that is not a financial institution or owned or controlled by a financial institution, except to the extent such activities are for the benefit of a competitor. Further, this restriction shall not apply to a financial institution with deposit market share of less than 5% in the Eau Claire, Wisconsin market (as published by S&P Global Market Intelligence). A "financial interest" shall not include the ownership of less than 5% of the securities of any corporation or other entity that is listed on a national securities exchange or traded in the national over-the-counter market. "Prohibited Capacity" means a capacity that directly competes with the Company within the Restricted Territory as required by (i) duties or responsibilities substantially similar to those of

Executive's position with the Company at any time during the Reference Period or (ii) management, sales or marketing duties or responsibilities. The "Restricted Territory" means the territory within a 50-mile radius of the Company's headquarters office in Eau Claire, Wisconsin.

7. Enforcement.

(a) If, at the time of enforcement of the covenants contained in Section 6 above (collectively, the "Restrictive Covenants"), a court shall hold that the duration, scope or area restrictions stated are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the Restrictive Covenants to cover the maximum duration, scope and area permitted by law. Executive has had the opportunity to consult with Executive's own legal counsel regarding the Restrictive Covenants and agrees that the Restrictive Covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of the Company's businesses and agrees not to challenge the validity or enforceability of the Restrictive Covenants. In exchange for Executive agreeing to be bound by these reasonable and necessary covenants, the Company is providing Executive with the benefits as set forth in this Agreement, including without limitation the severance described in Sections 5(c) and 5(d). Executive acknowledges and agrees that these benefits constitute full and adequate consideration for Executive's obligations hereunder and will be provided only if Executive signs this Agreement.

(b) If Executive breaches, or threatens to commit a breach of any of the Restrictive Covenants, the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

- i. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, including, for example, by temporary or permanent injunctive or other equitable relief without the necessity of proving actual damages, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and
- ii. The right and remedy to require Executive to account for and pay over to the Company any profits, monies or other benefits derived or received by Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

8. Notices. All notices, demands or other communications shall be sent to Executive and the Company at the addresses indicated below to such other addresses or to the attention of such other persons as the recipient party has specified by prior written notice to the sending party, or in the case of the Executive, to the most recent address on record with the Company's Human Resource Department.

Notice to Executive
Stephen M. Bianchi
1560 Front Porch Place, #102
Altoona, WI 54720

Notice to Company
2174 Eastridge Center
Eau Claire WI 54701
Attn: Michael Swenson, Lead Director

9. Attorneys' Fees. In the event that the either Party brings any action to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, all expenses, including reasonable attorneys' fees, incurred by the party prevailing on substantially all of the claims finally decided in the action, shall be paid by the other party with 120 days of the date that entry of judgment on the claims brought in the action becomes final and non-appealable. In addition, the Company shall pay Executive any reasonable legal fees and reasonable expenses incurred by Executive in connection with any dispute with any Federal state, or local governmental agency with respect to benefits claimed under this Agreement. Such reimbursement must be requested no later than two (2) months after the conclusion of the dispute and shall be paid within two (2) months after the request for reimbursement.

10. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid or illegal provision had never been contained herein.

11. Complete Agreement. This Agreement contains the complete agreement and understanding between the parties related to Executive's employment, and supersedes, replaces, and preempts any prior understandings, agreements, or representations by or among the parties related to such employment, whether written or oral, which may have related to the subject matter herein in any way, including without limitation the Third Amended Executive Employment Agreement as modified by the 2023 Addendum.

12. Survival. The provisions of Sections 4, 5, 6, 7, and 9 shall survive the termination of this Agreement and Executive's employment with the Company.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Choice of Law. All issues concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Wisconsin or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Wisconsin.

15. Amendments and Waiver. The provisions of this Agreement may be amended or waived only by a written instrument, with written consent by both the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

16. Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, Executive and the Company agree that the payments hereunder shall be exempt from, or satisfy the applicable requirements, if any, of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) in a manner that will preclude the imposition of penalties described in Code Section 409A. Payments made pursuant to this Agreement are intended to satisfy the short-term deferral rule or separation pay exception within the meaning of Code Section 409A. Executive and the Company agree that this Agreement shall be interpreted to the extent possible to be exempt from or satisfy the requirements described above. References to termination of employment or similar terms hereunder shall mean a “separation from service” within the meaning of Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall, to the maximum extent possible, be administered, interpreted and construed in a manner consistent with Code Section 409A; provided, that in no event shall the Company have any obligation to indemnify Executive from the effect of any taxes under Code Section 409A.

If any payment or benefit provided to Executive in connection with Executive’s termination of employment is determined to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code and Executive is determined to be a “specified employee” as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the termination or, if earlier, on Executive’s death (the “Specified Employee Payment Date”). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

17. Assignment. This Agreement and all rights hereunder are personal to Executive and shall not be assignable by Executive; provided, however, that any amounts that shall have become payable under this Agreement prior to Executive’s death shall inure to the benefit of Executive’s heirs or other legal representatives, as the case may be. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. The Company shall require any successor to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, unless such obligations have been assumed by the successor as a matter of law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

CITIZENS COMMUNITY BANCORP, INC.

STEPHEN M. BIANCHI

By: _____

Its: _____

CITIZENS COMMUNITY FEDERAL, N.A.,

By: _____

Its: _____

[Signature Page to Fourth Amended and Restated Executive Employment Agreement by and between Citizens Community Bancorp, Inc., Citizens Community Federal, N.A., and Stephen M. Bianchi]

EXHIBIT A

CONFIDENTIAL

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (“Agreement”) is entered into by and between Citizens Community Bancorp, Inc., a Maryland corporation, and its wholly-owned subsidiary, Citizens Community Federal, N.A., a national banking association (collectively, the “Company”), and Stephen M. Bianchi (“Executive”).

RECITALS

WHEREAS, Executive has been employed by the Company pursuant to the terms of a [●] Amended and Restated Employment Agreement (the “Employment Agreement”); and

WHEREAS, the Employment Agreement provides for the payment of severance in the event of certain termination circumstances; and

WHEREAS, Executive’s employment with the Company is being terminated under circumstances which trigger the payment of severance; and

WHEREAS, the Employment Agreement requires as a condition to the payment of the severance that Executive first sign and not rescind a separation agreement containing a general release in a form provided by and acceptable to the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Separation. Executive’s position as an employee of the Company shall hereby end effective as of _____, 202___ (the “Separation Date”). As of the Separation Date, Executive will be deemed to have resigned from all director and officer positions, if any, Executive then holds with the Company or any related or affiliated entity, and Executive agrees to provide any requested documentation to confirm any such resignation. Any requests for employment references should be made to [●]. Prospective employers will be provided only the dates of Executive’s employment, the position held and its primary duties.

2. Accrued Obligations. Executive shall receive a final payroll check, which fully compensates Executive for Executive’s current base salary or wage through the Separation Date, including payment for accrued but unused PTO pursuant to the Employment Agreement and Company policy. It is agreed that such lump sum payment shall be made by Company to Executive in accordance with the Company’s regularly scheduled payroll dates and procedures within 30 days following the Separation Date (or earlier to the extent required by law). Executive acknowledges and agrees that Executive is not entitled to or owed any additional compensation

from the Company, except as may be specified herein. All unvested equity interests held by Executive as of the Separation Date, if any, shall terminate and be forfeited, unless those unvested grants shall be deemed to have vested in their entirety as of the Separation Date pursuant to the terms of the applicable grant agreement, the Company's Executive Long Term Incentive Plan, or Citizen Community Bancorp, Inc.'s 2018 Equity Incentive Plan, or any successor plans thereto.

3. Company-Sponsored Benefit Plans. Commencing _____ 1, 202_____, Executive may elect to continue to participate in the group health and dental insurance programs, as allowed by law and the terms of those benefit plans. A COBRA/continuation notice more specifically advising Executive of Executive's rights will be provided to Executive separately. In exchange for the terms of this Agreement, and as set forth in the Employment Agreement, provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, ("COBRA"), Executive shall be eligible for continued participation in the Company's medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive's eligibility for coverage under another employer's group health plan, (B) termination of Executive's rights to continuation coverage under COBRA, or (C) [●] (●) months following the termination of Executive's employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans' obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not extend such plans' obligations to provide continuation coverage under COBRA. [In the event that Executive timely elects COBRA continuation and remains covered under the Company's group health plan, but his right to COBRA continuation terminates under (B) above due to expiration of the maximum COBRA continuation period, and is not extended after 18 months of coverage, then the Company will at that time pay Executive a lump sum amount equal to [●] (●) months of Executive's monthly COBRA premiums, which he may direct toward future health insurance premium payments.] Executive's participation and interest in the Company's 401(k) plan shall be governed by the terms of that benefit plan. All other benefits, including without limitation Executive's disability insurance, if any, will be cancelled as of the Separation Date. The Company shall pay or provide to Executive all vested benefits to which Executive is entitled under any applicable benefit plans of the Company in accordance with the terms of such plans through the Separation Date.

4. Separation Payment. If Executive signs and returns to the Company this Agreement within the period of time specified in paragraph 11 herein, as set forth in Executive's Employment Agreement, Executive shall be paid as separation compensation, less applicable withholdings:

(a) an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) or, if higher, at actual performance at the time [of termination][a definitive agreement is announced], such amount as prorated through Employee's termination date; and

(b) a payment equal to [●] percent (●%) of (A) the Executive's annual salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/35% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received

for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date.

For purposes of unemployment insurance benefits, the Company and Executive agree that the payment described above is termination pay as defined under Wisc. Stat. § 108.05(5), and that the separation payment will be attributed to and allocated as Executive's benefit year weekly wages for each week beginning with the week of _____, 202____, and ending the week of _____, 202____. Executive understands that this separation compensation is effective and will be paid only if Executive first signs this Agreement within 21 calendar days after initially receiving it and does not rescind within the 7-day period described in paragraph 12. Executive must sign and return this Agreement, if at all, so that the Agreement is effective (taking into account the rescission period provided for in paragraph 12) by no later than the twenty-eighth (28th) calendar day following the Separation Date. Subject to the provisions of paragraph 24 of this Agreement, this separation payment will be made to Executive in a lump sum no later than five (5) business days following the expiration of the rescission period provided for in paragraph 12, provided that Executive has not rescinded this Agreement. Where the period available to execute (and to not revoke) this Agreement spans more than one calendar year, the payment shall not be made until the second calendar year as required by the applicable terms of this Agreement and Section 409A of the Internal Revenue Code. Executive understands that this separation payment shall not be subject to retirement plan or deferred compensation plan contribution election by Executive or matching contribution by the Company. Executive represents and warrants that Executive is legally entitled to receive this severance payment and that such payment is not subject to a child support, garnishment, bankruptcy, dissolution, or other order requiring that such payment be made to any other person.

5. Consideration. Executive specifically acknowledges and agrees that the separation payment set forth in paragraph 4 constitutes full and adequate consideration for this Agreement and that, if Executive does not sign this Agreement, rescinds pursuant to paragraph 12, or breaches any of Executive's obligations contained in this Agreement at any time, the Company shall have no obligation to provide this consideration.

6. Release. In exchange for the consideration stated and acknowledged herein, Executive (including anyone who has or obtains any legal rights or claims through or from Executive) hereby unconditionally releases and discharges the Company and its affiliates and related entities, including without limitation Citizens Community Bancorp, Inc., predecessors, successors, (collectively "the Company and its Affiliates"), any Company or Affiliate pension, welfare or other employee benefit plan, and the Company's and its Affiliates' owners, officers, directors, shareholders, members, partners, employees, agents, insurers, consultants, representatives, attorneys, trustees, administrators, and any entity affiliated with any of the foregoing, from any and all past or present claims, demands, obligations, actions, causes of action, damages, costs, debts, liabilities, expenses and compensation of any nature, whether for compensatory or punitive damages, and whether based in tort, contract, or other theory of recovery (collectively the "Claims" and individually a "Claim"), including but not limited to any Claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974 (ERISA) (other than vested benefits under a retirement plan), each as may have been amended, or any other federal, state, or

local law, including without limitation, the Wisconsin Fair Employment Act, Wisconsin Wage Claim and Payment Law, Wisconsin Business Closing and Mass Layoff Law, Wisconsin Cessation of Health Care Benefits Law, Wisconsin Family and Medical Leave Law, Wisconsin Personnel Records Statute, Wisconsin Employment Peace Act, Wisconsin Internet Privacy Protection Act, and Claims based on wrongful discharge, breach of an implied or express contract, promissory estoppel, emotional distress, defamation, misrepresentation, fraud, public policy, common law, good faith and fair dealing, negligence, invasion of privacy, retaliation, or any other Claim that Executive now has or that may hereafter arise out of the relationship between the parties to date, including the termination of Executive's employment, whether known or unknown, foreseen or unforeseen, at the time of signing this Agreement. Executive states and represents the Executive has not and agrees to not institute any lawsuit against or otherwise sue the Company or its Affiliates or any of those named in this paragraph based on any Claim relating in any way to Executive's relationship with the Company or its Affiliates up to the time of signing this Agreement. In the event that any such Claim or action has been or is asserted by Executive or anyone acting directly or indirectly on Executive's behalf, Executive agrees that this release includes a complete waiver of any right to money damages or other individual remedies or relief awarded by a court or any governmental agency, including the Equal Employment Opportunity Commission (EEOC) or similar state agency with which Executive may file a charge or participate in an investigation notwithstanding the terms of this release and promise not to sue or other terms of this Agreement. The foregoing release and promise not to sue shall not apply to and shall not affect the parties' right to enforce, or under the Older Workers Benefit Protection Act (OWBPA) challenge the enforceability of, the terms of this Agreement; to seek remedy for breach of this Agreement; to assert claims which cannot legally be waived under applicable law; to subsequently assert any Claim arising from acts occurring after the date of signing this Agreement; or to assert any claims for defense or indemnification under applicable law or under the terms of the Employment Agreement or an applicable officers' and directors' liability insurance policy. In particular, this release does not prevent Executive from filing a claim for unemployment compensation benefits.

7. Administrative Proceeding. Notwithstanding the release and promise not to sue set forth in paragraph 6 or the other terms of this Agreement, Executive acknowledges that Executive may file a charge or complaint with, participate in an investigation conducted by, or contact or communicate with the EEOC, NLRB, SEC, FINRA or any other governmental agency. Executive agrees, however, that Executive has waived any right to money damages or other individual remedies or relief which might be awarded as a result of any such administrative proceeding, except where such a waiver is prohibited under SEC rules or other applicable law.

8. Return of Property. On the Separation Date, Executive agrees to return promptly all files, documents, manuals or property of any kind, whether in written, electronic, computerized or other form, in Executive's possession or control relating to, or constituting the property of, the Company, its Affiliates, their employees or customers including, but not limited to, all office keys, keys to Company or Affiliate vehicles, credit cards, access cards, security cards, office equipment, cellular phones, computer hardware, software products, agreements or Company or Affiliate products or prototypes. Executive acknowledges that this obligation is continuing and agrees to promptly return to the Company any subsequently discovered property as described above. To the extent that Executive has downloaded or stored any proprietary, privileged, trade secret or confidential information belonging or relating to the Company or its Affiliates, their employees or customers on any personal, non-Company electronic media in Executive's possession, custody, or

control, such as computers, cell phones, hand-held devices, back-up devices, zip drives, USBs, PDAs, and the like, Executive agrees to promptly contact [●], to arrange for transfer of such documents and information back to the Company and for destruction of such documents and information on Executive's personal electronic media. Executive agrees to not retain any copies of such documents or information. Executive represents that Executive has returned to the Company any and all passwords used by Executive with regard to the computer, electronic or communication systems of the Company or its Affiliates and has transitioned all administrative rights used by Executive with regard to all social media and internet-based accounts related to the business operations of the Company, so that the Company has immediate, full and complete access to all data and information stored, used or maintained on or in such systems or accounts. Executive agrees to not access or interfere with or attempt to access or interfere with any of the Company's computer systems, networks or files.

9. Non-Disparagement. Executive agrees not to make any defamatory or maliciously false remarks or comments about the Company or its Affiliates, or any of the foregoing entities' directors, officers, members, employees, or products or services in any respect, including without limitation any such remarks made on or through social media sites or blogs such as Facebook, LinkedIn, Glass Door, or X (fka Twitter). This provision does not prohibit Executive from providing truthful information to any governmental agency or in any legal or administrative agency proceeding from discussing or disclosing information concerning terms and conditions of employment, or from exercising any rights protected by Section 7 of the National Labor Relations Act.

10. Cooperation. Executive agrees to be reasonably available for a period of up to six (6) weeks following the Separation Date for consultation with and assistance to Company or Affiliate representatives with respect to matters and issues within Executive's job responsibilities or knowledge during Executive's employment by the Company. Executive acknowledges and agrees that such cooperation with the Company is necessary for a proper and orderly transition and that the consideration set forth herein fully compensates Executive for this reasonable cooperation.

11. Consideration of Agreement. Executive may consider this Agreement prior to signing for up to 21 calendar days from the Separation Date. Executive understands, however, that Executive is free to sign and return this Agreement at any time within the 21-day period. The parties agree that any changes in this Agreement made prior to signing whether material or not do not restart the 21-day period for consideration. If a signed Agreement is not returned to the Company by the end of this 21-day period, or if Executive breaches any of the provisions set forth herein prior to signing this Agreement, the offer of this Agreement is withdrawn.

12. Rescission. Executive may rescind and revoke this Agreement within seven (7) calendar days after signing it to assert alleged claims under the Age Discrimination in Employment Act. To be effective, Executive agrees that the rescission or revocation must be in writing and hand-delivered or mailed to the Company, c/o [●], 2174 EastRidge Center, Eau Claire, WI 54701, within the 7-day period. If mailed, the rescission or revocation must be (a) postmarked within the 7-day period, (b) properly addressed as set forth in the preceding sentence, and (c) sent by Certified Mail, Return Receipt Requested. If delivered by hand, it must be given to [●] within the 7-day period. Should Executive choose to rescind this Agreement, all terms hereof are canceled and thereby ineffective.

13. Non-Admission. The Company, and all those named in paragraph 6 above, expressly deny any and all liability to Executive and the parties agree that nothing in this Agreement is intended to be, nor shall be deemed to be, an admission of liability or wrongdoing, an admission of the existence of any facts upon which liability or wrongdoing could be based, or a waiver of any defense to any such liability or wrongdoing.

14. Third Party Claims. Executive agrees that Executive will not voluntarily assist or encourage any third party regarding claims or litigation against the Company or its Affiliates. Executive agrees to promptly notify the Company and provide it a copy, prior to responding, if Executive is served with or otherwise receives any subpoena or any other legal process, demand or request seeking Executive's testimony or the production of other evidence or other information. Notwithstanding the foregoing, Executive is not prohibited from filing a charge with or participating in any investigation conducted by the EEOC or other governmental agency without prior notice to the Company.

15. Merger. Except as set forth in paragraph 17 below, this Agreement and any employee benefit plans in which Executive is a participant supersede all prior oral and written agreements and communications between the parties regarding the subject matter hereof.

16. Confidentiality. Executive agrees to keep the terms and conditions of this Agreement strictly confidential and not disclose them to any person other than Executive's immediate family, taxing authorities, attorneys, or accountants as necessary or as required by law. Executive understands and agrees that any disclosure in violation of this confidentiality agreement made by or through Executive, or those listed in the preceding sentence, constitutes a material breach of this Agreement. Executive agrees to not introduce this Agreement in any litigation or proceeding involving the Company, except any action to enforce, or challenge the enforceability of, the terms of this Agreement. This provision does not prohibit Executive from providing truthful information to any governmental entity.

17. Restrictive Covenants. Executive acknowledges and agrees that any agreement with the Company that Executive has previously signed which contains restrictive covenants, such as non-competition, non-solicitation and non-disclosure/confidentiality provisions, including in particular the restrictive covenants and remedies provisions set forth in Executive's Employment Agreement: (i) remain in full force and effect, (ii) such restrictive covenants are supported by separate consideration, and (iii) Executive is fully bound to the continuing obligations under those provisions for the periods specified therein.

18. Breach. If Executive breaches any of Executive's obligations contained in this Agreement, all contingent amounts paid to Executive hereunder or yet to be paid pursuant hereto, shall be considered unearned and, at the election of the Company and as consistent with applicable law, be either not paid and forfeited, or if previously paid, returned to the Company. This provision shall not prevent the Company from pursuing its other remedies and seeking damages for breach of this Agreement. Executive shall be responsible for the payment of the Company's reasonable attorney fees and costs of litigation incurred in successfully enforcing the terms of this Agreement. Executive acknowledges that breach by Executive of the provisions of this Agreement, particularly paragraphs 6, 8, 9, 10, 14, and 17 will cause the Company irreparable harm that is not fully remedied by monetary damages. Accordingly, Executive acknowledges that the Company may

seek injunctive relief regarding Executive's breach or threatened breach of the terms of this Agreement without posting a bond or other security, in addition to any other available legal or equitable remedies and, that such relief may be granted without the necessity of proving actual damages. Executive agrees that both damages at law and equitable relief shall be proper modes of relief and are not to be considered alternative remedies.

19. Severability and Blue Penciling. Executive agrees that the scope and terms of this Agreement are reasonable and that it is Executive's intent and desire that this Agreement be enforced to the fullest extent permissible. In case any one or more of the provisions of this Agreement (other than its release provisions) should be determined invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained in this Agreement will not in any way be affected or impaired thereby. If any particular provision of this Agreement shall be adjudicated to be invalid or unenforceable, Executive and the Company specifically authorize the tribunal making such determination to edit the invalid or unenforceable provision to allow this Agreement, and the provisions thereof to be valid and enforceable to the fullest extent allowed by law and/or public policy.

20. Assignment. This Agreement shall be binding upon Executive's heirs, administrators, representatives, or executors. No assignment of this Agreement shall be made by Executive, and any such purported assignment shall be null and void. This Agreement may be assigned by the Company to any successor or assignee.

21. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin, without regard to conflicts of laws provisions.

22. Waiver. No term or condition of this Agreement shall be deemed to have been waived except by a statement in writing signed by the party against whom the enforcement of the waiver is sought. The waiver by the Company of the breach or nonperformance of any provision of this Agreement by Executive will not operate or be construed as a waiver of any future breach or nonperformance under any such provision of this Agreement or any similar agreement with any other employee.

23. Voluntary and Knowing Action. Executive acknowledges that Executive has read and understands the terms of this Agreement and that Executive is voluntarily and without duress entering into this Agreement with full knowledge of its implications. In that this Agreement establishes certain legally enforceable rights and obligations, the Company expressly advises Executive to consult with an attorney prior to signing this Agreement.

24. Section 409A. Notwithstanding any other provision of this Agreement to the contrary, Executive and the Company agree that the payments hereunder shall be exempt from, or satisfy the applicable requirements, if any, of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") in a manner that will preclude the imposition of penalties described in Code Section 409A. Payments made pursuant to this Agreement are intended to satisfy the short-term deferral rule or separation pay exception within the meaning of Code Section 409A. Executive's termination of employment shall mean a "separation from service" within the meaning of Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall, to the maximum extent possible, be administered, interpreted and construed in a manner consistent

with Code Section 409A; provided, that in no event shall the Company have any obligation to indemnify Executive from the effect of any taxes under Code Section 409A. If any payment or benefit provided to Executive in connection with Executive's termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the termination or, if earlier, on Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

25. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

26. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the termination of Executive's employment and supersedes all prior agreements and understandings, whether written or oral, between the parties relating to such subject matter; provided, however, that nothing in this Agreement supersedes or otherwise alters the terms of any restrictive covenant agreement previously entered into by Executive as set forth in paragraph 17, which Executive acknowledges and agrees remain in full force and effect. This Agreement may not be amended or changed except in writing executed by both parties.

IN WITNESS WHEREOF, the parties have caused this Separation Agreement and Release to be executed on the date set forth below.

CITIZENS COMMUNITY BANCORP, INC.

STEPHEN M. BIANCHI

By: _____

Its: _____

CITIZENS COMMUNITY FEDERAL, N.A.,

By: _____

Its: _____

THIRD AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

This Third Amended and Restated Executive Employment Agreement (the “Agreement”) is made effective as of May 2, 2024 (the “Effective Date”), by and between Citizens Community Bancorp, Inc., a Maryland corporation, (the “Holding Company”) and its wholly-owned subsidiary, Citizens Community Federal, N.A., a national banking association (the “Bank”) (collectively, the “Company”), and James S. Broucek (“Executive”).

WHEREAS, the Company and Executive entered into an Executive Employment Agreement effective October 31, 2017 (the “Executive Employment Agreement”); and

WHEREAS, the Company and Executive entered into an Amended and Restated Executive Employment Agreement dated November 1, 2019 (the “Amended Executive Employment Agreement”) that superseded and replaced the Executive Employment Agreement; and

WHEREAS, the Company and Executive entered into an Addendum No. 1 to the Amended and Restated Executive Employment Agreement dated April 23, 2020 (the “2020 Addendum”) that superseded and replaced certain provisions of Section 5(d) the Amended Executive Employment Agreement; and

WHEREAS, the Company and Executive entered into a Second Amended and Restated Executive Employment Agreement dated April 21, 2022 (the “Second Amended Executive Employment Agreement”) that superseded and replaced the Amended Executive Employment Agreement as modified by the 2020 Addendum; and

WHEREAS, the Company and Executive entered into an Addendum No. 1 to the Second Amended and Restated Executive Employment Agreement dated December 13, 2023 (the “2023 Addendum”) that superseded and replaced Section 3(i) the Second Amended Executive Employment Agreement; and

WHEREAS, the Company and Executive desire to amend and restate certain terms of the Second Amended Executive Employment Agreement as modified by the 2023 Addendum; and

WHEREAS, the Company desires to employ Executive upon the amended and restated terms and conditions set forth herein, and Executive desires to be so employed by the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Term of Employment. Executive’s employment hereunder shall commence as of the Effective Date and continuing thereafter until December 31, 2025, unless and until terminated pursuant to the terms of Section 4 of this Agreement (the “Term”). Notwithstanding the foregoing, the Term shall automatically be extended for additional one-year periods (each, a “Renewal Term”) on the terms and conditions provided herein, unless either party shall give the other party no less than ninety (90) days’ written notice prior to the expiration of the Term or Renewal Term,

as applicable. The Term and the Renewal Term, if applicable, shall be collectively referred to as the “Employment Term.”

2. Position and Duties.

(a) Position. During the Employment Term, Executive shall serve as the Chief Financial Officer of the Bank, and the Chief Financial Officer of the Holding Company, reporting exclusively to the Bank’s President and Chief Executive Officer and the Holding Company’s Board of Directors (the “Board”). In such positions, Executive shall have such duties, authority and responsibility as shall be determined from time to time by the President and Chief Executive Officer and the Board and as are customarily performed by persons situated in a similar executive capacity.

(b) Duties. During the Employment Term, Executive shall devote substantially all of his business time and attention to the performance of Executive’s duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) acting or serving as a director, trustee, committee member or principal of any type of business, civic or charitable organization, or (ii) owning any interest in any other corporation, business or enterprise, subject to Section 6 below.

3. Compensation and Benefits.

(a) Salary. The Company shall pay Executive a salary of Two Hundred Forty-One Thousand Twenty and 00/100 Dollars (\$241,020.00) per year, payable in regular biweekly installments, in accordance with the Company’s usual payroll procedures (the “Salary”). Executive’s base Salary shall be subject to at least annual review on each December 31 and may be increased based on Executive’s performance and contribution to the Company, as determined by the Board.

(b) Short Term Incentive Plan Awards. Executive shall be eligible to receive an annual incentive award pursuant to the terms of the Bank’s Executive Short Term Incentive Plan and Executive’s individual incentive goal sheet appended thereto, and any successor plan thereto.

(c) Long Term Incentive Plan Awards. Executive shall be eligible to receive incentive awards pursuant to the terms of the Bank’s Executive Long Term Incentive Plan and the Holding Company’s 2018 Equity Incentive Plan, and any successor plans thereto.

(d) Benefits. Executive shall be entitled to participate in any and all benefit programs, such as health insurance and retirement plans, subject to applicable plan or policy terms, that the Company establishes and makes available to its other similarly situated senior executives from time to time, provided that Executive is eligible to participate under the plan documents governing those programs. The Company reserves the right to modify or discontinue, either on a company-wide basis or as applicable to all comparably-situated Company employees, any employee benefit already provided or as may be provided in the future.

(e) Paid Time Off. During the Employment Term, Executive will be entitled to paid time off (PTO) at the maximum accrual rate, and pursuant to the other terms, as set forth in the Bank's Paid Time Off policy effective July 1, 2017, or any successor policy thereto or as otherwise approved by the Compensation Committee. Executive shall receive other paid time-off in accordance with the Company's policies for executive officers as such policies may exist from time to time. Executive shall receive payment for all accrued but unused PTO, if any, within thirty (30) days following the termination of Executive's employment.

(f) Business Expenses. Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by Executive in connection with the performance of Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. Reimbursement shall be paid as soon as administratively practicable, but in no event shall any such reimbursement be paid after the last day of the calendar year following the calendar year in which the expense was incurred. The right hereunder to reimbursement is not subject to liquidation or exchange for other benefits.

(g) Withholdings and Taxes. All payments to Executive will be payable pursuant to the Company's normal payroll practices. The Company shall deduct from all payments to Executive hereunder any federal, state or local withholding or other taxes or charges which the Company is from time to time required to deduct under applicable law, and all amounts payable to Executive hereunder are stated herein before any such deductions.

(h) Liability Insurance; Indemnification. The Bank shall provide the Executive (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at the Bank's expense or, in lieu thereof, shall indemnify the Executive (and his heirs, executors and administrators) to the fullest extent permitted under applicable law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the Bank (whether or not he continues to be a director or officer at the time of incurring such expenses or liabilities). Such expenses and liabilities shall include, but are not limited to, judgments, court costs, attorneys' fees and the cost of reasonable settlements, and such settlements shall be approved by the Board; provided, however, that such indemnification shall not extend to matters as to which the Executive is finally adjudged to be liable for willful misconduct or gross negligence in the performance of his duties as a director or officer of the Bank.

(i) Clawback of Incentive Compensation. The Company may terminate Executive's right to the unpaid or unvested incentive compensation under Sections 3(b) and 3(c), and may require reimbursement to the Company by Executive of any incentive compensation previously paid or vested pursuant to any applicable incentive compensation plan or award agreement, in the event the Company is required to prepare an accounting

restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under securities laws, or Executive is otherwise obligated to disgorge to or reimburse the Company for such compensation paid or payable to Executive by reason of application of Section 304 of the Sarbanes-Oxley Act of 2002, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any other applicable law or regulation requiring recapture, reimbursement or disgorgement of incentive-based pay. The incentive compensation received by Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement is subject to forfeiture or reimbursement pursuant to the terms of this Section 3(i). In the event Executive fails to make prompt reimbursement of any such incentive compensation previously paid, the Company may, to the extent permitted by applicable law, deduct the amount required to be reimbursed from Executive's compensation otherwise due under this Agreement.

4. Termination of Employment. During the Employment Term, Executive's employment and this Agreement may be terminated only under the following circumstances.

(a) Termination by the Company for Cause, or by Executive without Good Reason. The Employment Term and Executive's employment hereunder may be terminated immediately by the Company for Cause, and shall terminate upon Executive's resignation without Good Reason; provided, that Executive will be required to give the Company at least thirty (30) days advance written notice of a resignation without Good Reason.

(b) Definition of Cause. For purposes of this Agreement, "Cause" shall mean a good faith determination by the Board that Executive has: (A) committed a material act of dishonesty or disloyalty involving the Company; (B) committed a felony or misdemeanor involving dishonesty or moral turpitude which has a material adverse effect on the business of the Company; (C) engaged in willful conduct which is materially injurious to the Company; or (D) materially breached any provision of this Agreement, which breach is not cured within thirty (30) days after written notice thereof is given to Executive, explaining in reasonable detail the nature of such asserted breach.

(c) Definition of Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without the consent of Executive, (A) the material diminution of Executive's position (including status, offices, titles, and reporting requirements), authorities, duties, or other such responsibilities as exist immediately prior to the diminution; (B) the material reduction in Executive's Salary, or benefits under Section 3(d), unless such reduction is part of a reduction in compensation for all Executives of the Company on a pro rata basis; (C) the relocation of Executive's principal place of employment of greater than 50 miles from Executive's location immediately prior to the relocation.

(d) Notice Requirements for Good Reason Termination. If Executive intends to terminate Executive's employment for Good Reason: (i) Executive must give the Company written notice of the facts or events giving rise to Good Reason within thirty (30) days following Executive's knowledge of the facts or event alleged to give rise to Good

Reason; (ii) the Company must fail to cure the act or omission within thirty (30) days following the Company's receipt of such notice; and (iii) Executive must give the Company written notice that his employment is terminated for Good Reason within thirty (30) days following such failure to cure. The failure by Executive to give such notice of Good Reason shall be deemed a waiver of the right to terminate Executive's employment for Good Reason based on such fact or event.

(e) Definition of Change in Control. For the purposes of this Agreement, "Change in Control" shall mean any of the following:

- i. a change-in-control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Holding Company is then subject to such reporting requirement; or
- ii. the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by the Holding Company or any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) that such person has become the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Holding Company (i) representing 30% or more, but not more than 50%, of the combined voting power of the Holding Company's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors (as hereinafter defined); or (ii) representing more than 50% of the combined voting power of the Holding Company's then outstanding securities (regardless of any approval by the Continuing Directors); provided, however, that notwithstanding the foregoing, no Change-in-Control shall be deemed to have occurred for purposes of this Agreement by reason of the ownership of 30% or more of the total voting capital stock of the Holding Company then issued and outstanding by the Holding Company, any subsidiary of the Holding Company or any employee benefit plan of the Holding Company or of any subsidiary of the Holding Company or any entity holding shares of the Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan (any such person or entity described in this clause is referred to herein as a "Company Entity"); or
- iii. the Continuing Directors (as hereinafter defined), cease to constitute a majority of the Holding Company's Board of Directors; or
- iv. the shareholders of the Holding Company approve (i) any consolidation or merger of the Holding Company in which the Holding Company is not the continuing or surviving company or pursuant to which shares of Holding Company stock would be converted into cash, securities or other property, other than a merger of the Holding Company in which shareholders

immediately prior to the merger have the same proportionate ownership of stock of the surviving company immediately after the merger; (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Holding Company; or (iii) any plan of liquidation or dissolution of the Holding Company.

For purposes of this definition, “Continuing Director” shall mean any person who is a member of the Board of Directors of the Holding Company, while such person is a member of the Board of Directors, who is not an Acquiring Person (as defined below) or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (i) was a member of the Board of Directors on the date of this Agreement; or (ii) subsequently becomes a member of the Board of Directors, if such person’s initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the then Continuing Directors. For purposes of this definition, “Acquiring Person” shall mean any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act) directly or indirectly, of securities of the Holding Company representing 30% or more of the combined voting power of the Holding Company’s then outstanding securities, but shall not include any Holding Company Entity; and “Affiliate” and “Associate” shall have their respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(f) Termination by Reason of Death or Disability. Executive’s employment hereunder shall terminate automatically upon Executive’s death during the Employment Term. If the Company determines in good faith that a Disability (as defined below) of Executive has occurred during the Employment Term, the Company may give to Executive written notice of its intention to terminate Executive’s employment. In such event, Executive’s employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by Executive; provided, that within thirty (30) days after such receipt, Executive shall not have returned to full-time performance of Executive’s duties. For purposes of this Agreement, “Disability” has the same meaning as in the Company’s long-term disability plan, or if there is no such plan, or no definition in such plan, “Disability” means a mental or physical condition which, in the opinion of the Board, renders Executive unable or incompetent to carry out the material job responsibilities which such Executive held or the material duties to which Executive was assigned at the time the disability was incurred, which has existed for at least one hundred eighty (180) consecutive days and, which condition, in the opinion of an independent physician selected by the Company, is expected to be permanent or to have a duration of more than one (1) year.

(g) Termination by the Company without Cause, or Resignation by Executive for Good Reason. The Employment Term and Executive’s employment hereunder may be

terminated by the Company without Cause (other than by reason of death or Disability) or by resignation by Executive for Good Reason.

(h) Termination by the Company without Cause, or Resignation by Executive for Good Reason Following a Change in Control. If a Change in Control occurs during the Employment Term, and the Employment Term and Executive's employment hereunder is terminated by the Company without Cause (other than by reason of death or Disability) or by resignation by Executive for Good Reason, in each case, within 12 months following the Change in Control, then Executive shall receive the benefits set forth in Section 5(d). Payment of the benefits set forth in Section 5(d) shall be made promptly pursuant to the terms of this Agreement and without unreasonable delay.

(i) Notice of Termination. Any purported termination of Executive's employment by either party shall be communicated by written Notice of Termination to the other party. As used herein, "Termination Date" shall mean in the case of Executive's death, his date of death, or in all other cases of termination by the Company, the date specified in the Notice of Termination which shall be at least 30 days following the date of the Notice of Termination, except for termination for Cause which may be on or after the date of the Notice of Termination.

(j) Director and Officer Positions. Upon the voluntary or involuntary termination of Executive's employment for any reason, Executive will be deemed to have resigned from all director and officer positions he then holds with the Bank, the Holding Company, and any related or affiliated entity, and Executive agrees that this Agreement shall constitute affirmation of such resignations.

(k) Return of Records and Property. Upon termination of Executive's employment with the Company for any reason, or at the Company's earlier request, Executive shall deliver promptly to the Company originals and all copies of all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, or calculations, whether in tangible or electronic format or media, which are the property of the Company or which relate in any way to the business, products, practices or techniques of the Company, and all other property, trade secrets and Confidential Information (as defined herein) of the Company, including, but not limited to, all office keys, security cards, credit cards, office equipment, computer hardware and software, company products and prototypes, and all documents or electronic records which in whole or in part contain any trade secrets or Confidential Information of the Company, which in any of these cases are in Executive's possession or under Executive's control. Executive may not retain any copies of the documents referred to in this Section 4(k). To the extent that Executive has downloaded or stored any proprietary, privileged, confidential or trade secret information belonging to the Company on any personal, non-Company electronic media in Executive's possession, custody, or control, such as computers, cell phones, hand-held devices, back-up devices, zip drives, and the like, Executive agrees to promptly contact the Company to arrange for transfer of such documents and information back to the Company and for destruction of such documents and information on Executive's personal electronic media. Executive also agrees to return to the Company any and all passwords used by Executive with regard to the computer, electronic or communication

systems of the Company and to transition all administrative rights used by Executive with regard to all social media and internet-based accounts related to the business operations of the Company, so that the Company has immediate, full and complete access to all data and information stored, used or maintained on or in such systems or accounts. Executive further agrees to not access or interfere with or attempt to access or interfere with any of the Company's computer systems, networks or files.

5. Obligations Upon Termination.

(a) Termination by the Company for Cause, or by Executive without Good Reason. If Executive's employment with the Company is terminated by the Company for Cause, or is voluntarily terminated by Executive without Good Reason, the Company will pay or provide Executive with the following: (i) Executive's Salary earned but unpaid as of the Termination Date, payable in a lump sum within thirty (30) days after the Termination Date (or earlier to the extent required by law); and (ii) all vested benefits to which Executive is entitled under any benefit plans set forth in the benefits section hereof in accordance with the terms of such plans through the Termination Date, including, without limitation, PTO (collectively, the "Accrued Obligations"). Executive shall forfeit any other unvested amounts, including any unearned bonuses.

(b) Termination by Reason of Disability or Death. If Executive's employment with the Company is terminated during the Employment Term by reason of Executive's Disability or death, the Company will pay and/or provide Executive or Executive's legal representative, as the case may be, (i) the Accrued Obligations; (ii) a pro-rated incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan; and (iii) a pro-rated incentive award pursuant to the terms of the Bank's Executive Long Term Incentive Plan.

(c) Termination by the Company without Cause, or Resignation by Executive with Good Reason. If Executive's employment with the Company is terminated by the Company without Cause or by Executive with Good Reason and as to (ii)-(iv) below Executive irrevocably executes the Release as specified in Section 5(e), promptly upon expiration of any revocation period applicable to the Release but no later than five (5) business days thereafter, the Company will pay or provide Executive with the following:

- i. the Accrued Obligations;
- ii. an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/30% of Salary) or, if higher, at actual performance at the time of termination, such amount as prorated through Employee's termination date;
- iii. a payment equal to fifty percent (50%) of (A) the Executive's annual Salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II

(i.e. Plan/30% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date; and

- iv. provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, ("COBRA"), continued participation in the Company's medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive's eligibility for coverage under another employer's group health plan, (B) termination of Executive's rights to continuation coverage under COBRA, or (C) six (6) months following the termination of Executive's employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans' obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not limit such plans' obligations to provide continuation coverage under COBRA.

(d) Termination by the Company without Cause, or Resignation by Executive with Good Reason Following a Change in Control. If Executive's employment with the Company is terminated by the Company without Cause or by Executive with Good Reason following a Change in Control pursuant to Section 4(h) and as to (ii)-(iv) below Executive irrevocably executes the Release as specified in Section 5(e), promptly upon expiration of any revocation period applicable to the Release but no later than five (5) business days thereafter, the Company will pay or provide Executive with the following in lieu of any payments under Section 5(c) herein:

- i. the Accrued Obligations;
- ii. an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/30% of Salary) or, if higher, at actual performance at the time a definitive agreement is announced, such amount as prorated through Employee's termination date;
- iii. a payment equal to two hundred percent (200%) of (A) the Executive's annual Salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/30% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date; and

iv. provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, (“COBRA”), continued participation in the Company’s medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive’s eligibility for coverage under another employer’s group health plan, (B) termination of Executive’s rights to continuation coverage under COBRA, or (C) twenty-four (24) months following the termination of Executive’s employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans’ obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not extend such plans’ obligations to provide continuation coverage under COBRA. In the event that Executive timely elects COBRA continuation and remains covered under the Company’s group health plan, but his right to COBRA continuation terminates under (B) above due to expiration of the maximum COBRA continuation period, and is not extended after 18 months of coverage, then the Company will at that time pay Executive a lump sum amount equal to six (6) months of Executive’s monthly COBRA premiums which he may direct toward future health insurance premium payments.

(e) Release. No obligations of the Company or the Bank with respect to payments to Executive pursuant to Section 5(c)(ii)-(iv) or Section 5(d)(ii)-(iv) shall exist or apply unless Executive has on or after the Termination Date timely executed a separation agreement containing a general release in substantially the form attached hereto as Exhibit A as may be updated for legal compliance (the “Release”) and any applicable revocation periods in the Release have expired without rescission by Executive.

(f) Vesting. All unvested equity interests held by Executive as of the Termination Date shall terminate and be forfeited, unless those unvested grants shall be deemed to have vested in their entirety as of the Termination Date pursuant to the terms of the applicable grant agreement, the Bank’s Executive Long Term Incentive Plan, or the Holding Company’s 2018 Equity Incentive Plan, or any successor plans thereto.

(g) Section 280G. Notwithstanding anything to the contrary herein contained, under no circumstances shall the payments made to Executive result in an “excess parachute payment” as defined under Section 280G of the Internal Revenue Code of 1986, as amended. To the extent that such payments could result in an “excess parachute payment,” the payments shall be reduced to avoid such result, the manner of which reduction shall be in the sole discretion of the Board of Directors of the Company. Any amounts reduced pursuant to this Section 5(g) shall be deemed forfeited by Executive, and Executive shall have no authority whatsoever to determine the order in which benefits under this Agreement shall be so reduced.

(h) Timing of Severance Payments. The payments, if any, owed to Executive under Section 5(c)(ii)-(iii) or Section 5(d)(ii)-(iii) will be paid in a lump sum on or before

the sixtieth (60th) day following Employee's termination, provided that all statutory rescission periods contained in the Release have expired without revocation by Executive, and subject to Section 16 herein. Where the period available to execute (and to not revoke) the Release spans more than one calendar year, the payment shall not be made until the second calendar year as required by the applicable terms of this Agreement and Section 409A of the Internal Revenue Code.

6. Restrictive Covenants.

(a) Need for Restrictions. Executive acknowledges and agrees that the Company's business, technical, and customer information is established and maintained at great expense to the Company and is of significant value to the Company, and that by virtue of employment with the Company, Executive will have information pertaining to, unique and extensive exposure to, and personal contact with, the Company's business, technical and customer information which would enable Executive to compete unfairly with the Company. As a result, and in consideration of the Company's severance obligations under Section 5(c) and Section 5(d), Executive acknowledges and agrees that the following restrictions are necessary to protect the Company's business.

(b) Confidential Information. For purposes of this Agreement, "Confidential Information" means information disclosed to Executive or known by him as a result of or as disclosed in the course of Executive's employment with the Company which is not generally known to the public pertaining to the Company's business, including, but not limited to, operations, contracts, customers, customer lists, proposals, research and development, procedures and protocols, operating models, financial information, pricing, price lists, marketing methods, strategic planning information, information stored in or developed for use with Company's computer systems, insurance plans, risk management information, or marketing programs, and third-party information that the Company may learn from its customers or clients. Confidential Information shall include any such information developed or created by Executive if the information was developed or created by Executive while executing Executive's duties for the Company or if the information was developed or created by Executive based upon any Confidential Information that Executive learned by virtue of Executive's employment with the Company. Confidential Information shall not include any information that Executive can demonstrate is in the public domain by means other than disclosure by Executive, but shall include non-public compilations, combinations, or analyses of otherwise public information.

(c) Non-Disclosure or Use of Confidential Information. For as long as Executive shall remain employed by the Company, and after termination of employment with the Company for any reason, Executive shall not directly or indirectly, under any circumstances, communicate or disclose to any person, firm, association, corporation, company or any other third party, or use for Executive's own benefit or the benefit of any person or entity other than the Company, any Confidential Information, and Executive will keep secret and in strict confidence and hold inviolate said Confidential Information. Executive further agrees, however, not to disclose to others or use at any time after the

termination of his employment with the Company any Confidential Information that constitutes and remains a trade secret under the Wisconsin Trade Secrets Act, as amended (Section 134.90 Wis. Stats.), any Confidential Information that the Company received from a third party and continues to hold in confidence, and any Confidential Information that he is otherwise prohibited by law from disclosing to others or using. The prohibitions of this paragraph do not apply to Confidential Information after it has become generally known and/or in the public domain through no fault of Executive. The prohibitions of this paragraph also do not prohibit use of Executive's general skills and knowledge acquired during and prior to his employment by the Company, as long as such use does not involve the use or disclosure of Confidential Information. This non-disclosure provision does not prohibit Executive from providing truthful information to any governmental entity as required by law or as part of an agency investigation without prior notice to the Company.

(d) Defend Trade Secrets Act. Executive understands that if Executive breaches the provisions of Section 6(c) above, Executive may be liable to the Company under the Defend Trade Secrets Act of 2016 ("DTSA"). Executive further understands that by providing Executive with the following notice, the Company may recover from Executive its attorney fees and exemplary damages if it brings a successful claim against Executive under the DTSA: Under the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (a)(i) in confidence to a federal, state, or local governmental official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law or (b) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Without limiting the foregoing, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney and use the trade secret information in the court proceeding, if Executive (i) files any document containing the trade secret under seal and (ii) does not disclose the trade secret, except pursuant to court order.

(e) Nonsolicitation of Customers. During Executive's employment, and for a period of twenty-four (24) months following the earlier of (i) the termination of Executive's employment with the Company, whether voluntary or involuntary and whether with or without Cause, or (ii) the date of a Change in Control, Executive shall not, directly or indirectly canvas, contact or solicit any "Active Customer" (as defined below) of the Company for the purpose of selling, offering or providing products or services which are the same as or substantially similar to the products or services provided by the Company at any time during the "Reference Period" (as defined below). "Active Customer" shall mean any person or entity which, within the 12-month period prior to the termination of Executive's employment with the Company (the "Reference Period"), received any products or services supplied by or on behalf of the Company; provided, however, "Active Customer" shall be further limited to those customers of the Company: (i) with whom Executive had material business contact as an Executive of the Company during the Reference Period; (ii) whose dealings with the Company were coordinated or supervised, in whole or in part, by Executive during the Reference Period; or (iii) about whom Executive obtained Special Knowledge (as defined below) as a result of Executive's position with the Company during the Reference Period. "Special Knowledge" means

Confidential Information that is used, possessed by or developed for the Company in the course of soliciting, selling to or servicing a customer, including, but not limited to, existing or proposed bids, pricing and cost information, margins, negotiation strategies, sales strategies and information generated for customer engagements.

(f) Non-Solicitation of Company Personnel. During Executive's employment and for a further period of twenty-four (24) months beginning on the earlier of (i) the termination of Executive's employment with the Company under any circumstances or (ii) the date of a Change of Control, Executive agrees that Executive shall not, directly or indirectly, solicit, encourage or induce any employee, consultant, contractor, or other agent of the Company with whom Executive had substantial contact during the Reference Period and who has knowledge of Confidential Information to terminate a relationship (employment or otherwise), or breach any agreement with the Company.

(g) Noncompetition. During Executive's employment, and for a period of eighteen (18) months following the earlier of (i) the termination of Executive's employment with the Company, whether voluntary or involuntary and whether with or without Cause, or (ii) the date of a Change of Control, Executive shall not, directly or indirectly, have a financial interest in, or act in a "Prohibited Capacity" (as defined below) on behalf of, any entity which competes with the Company anywhere within the "Restricted Territory" (as defined below). This restriction shall not apply to any activities conducted on behalf of an entity that is not a financial institution or owned or controlled by a financial institution, except to the extent such activities are for the benefit of a competitor. Further, this restriction shall not apply to a financial institution with deposit market share of less than 5% in the Eau Claire, Wisconsin market (as published by S&P Global Market Intelligence). A "financial interest" shall not include the ownership of less than 5% of the securities of any corporation or other entity that is listed on a national securities exchange or traded in the national over-the-counter market. "Prohibited Capacity" means a capacity that directly competes with the Company within the Restricted Territory as required by (i) duties or responsibilities substantially similar to those of Executive's position with the Company at any time during the Reference Period or (ii) management, sales or marketing duties or responsibilities. The "Restricted Territory" means the territory within a 50-mile radius of the Company's headquarters office in Eau Claire, Wisconsin.

7. Enforcement.

(a) If, at the time of enforcement of the covenants contained in Section 6 above (collectively, the "Restrictive Covenants"), a court shall hold that the duration, scope or area restrictions stated are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the Restrictive Covenants to cover the maximum duration, scope and area permitted by law. Executive has had the opportunity to consult with Executive's own legal counsel regarding the Restrictive Covenants and agrees that the Restrictive Covenants are reasonable in terms of duration, scope and area restrictions and are necessary to protect the goodwill of the Company's businesses and agrees not to challenge the validity or

enforceability of the Restrictive Covenants. In exchange for Executive agreeing to be bound by these reasonable and necessary covenants, the Company is providing Executive with the benefits as set forth in this Agreement, including without limitation the severance described in Sections 5(c) and 5(d). Executive acknowledges and agrees that these benefits constitute full and adequate consideration for Executive's obligations hereunder and will be provided only if Executive signs this Agreement.

(b) If Executive breaches, or threatens to commit a breach of any of the Restrictive Covenants, the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

i. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, including, for example, by temporary or permanent injunctive or other equitable relief without the necessity of proving actual damages, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

ii. The right and remedy to require Executive to account for and pay over to the Company any profits, monies or other benefits derived or received by Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

8. Notices. All notices, demands or other communications shall be sent to Executive and the Company at the addresses indicated below to such other addresses or to the attention of such other persons as the recipient party has specified by prior written notice to the sending party, or in the case of the Executive, to the most recent address on record with the Company's Human Resource Department.

Notice to Executive
5449 North Shore Drive
Eau Claire, WI 54703

Notice to Company
2174 Eastridge Center
Eau Claire WI 54701
Attn: Steve Bianchi, President and Chief Executive Officer

9. Attorneys' Fees. In the event that the either Party brings any action to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, all expenses, including reasonable attorneys' fees, incurred by the party prevailing on substantially all of the claims finally decided in the action, shall be paid by the other party with 120 days of the date that entry of judgment on the claims brought in the action becomes final and non-appealable. In addition, the Company shall pay Executive any reasonable legal fees and reasonable expenses

incurred by Executive in connection with any dispute with any Federal state, or local governmental agency with respect to benefits claimed under this Agreement. Such reimbursement must be requested no later than two (2) months after the conclusion of the dispute and shall be paid within two (2) months after the request for reimbursement.

10. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid or illegal provision had never been contained herein.

11. Complete Agreement. This Agreement contains the complete agreement and understanding between the parties related to Executive's employment, and supersedes, replaces, and preempts any prior understandings, agreements, or representations by or among the parties related to such employment, whether written or oral, which may have related to the subject matter herein in any way, including without limitation the Second Amended Executive Employment Agreement as modified by the 2023 Addendum.

12. Survival. The provisions of Sections 4, 5, 6, 7, and 9 shall survive the termination of this Agreement and Executive's employment with the Company.

13. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

14. Choice of Law. All issues concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Wisconsin or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Wisconsin.

15. Amendments and Waiver. The provisions of this Agreement may be amended or waived only by a written instrument, with written consent by both the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

16. Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, Executive and the Company agree that the payments hereunder shall be exempt from, or satisfy the applicable requirements, if any, of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") in a manner that will preclude the imposition of penalties described in Code Section 409A. Payments made pursuant to this Agreement are intended to satisfy the short-term deferral rule or separation pay exception within the meaning of Code Section 409A. Executive and the Company agree that this Agreement shall be interpreted to the extent possible to be exempt from or satisfy the requirements described above. References to termination of employment or similar terms hereunder shall mean a "separation from service" within the meaning of Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall, to

the maximum extent possible, be administered, interpreted and construed in a manner consistent with Code Section 409A; provided, that in no event shall the Company have any obligation to indemnify Executive from the effect of any taxes under Code Section 409A.

If any payment or benefit provided to Executive in connection with Executive's termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the termination or, if earlier, on Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

17. Assignment. This Agreement and all rights hereunder are personal to Executive and shall not be assignable by Executive; provided, however, that any amounts that shall have become payable under this Agreement prior to Executive's death shall inure to the benefit of Executive's heirs or other legal representatives, as the case may be. This Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company. The Company shall require any successor to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, unless such obligations have been assumed by the successor as a matter of law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

CITIZENS COMMUNITY BANCORP, INC.

James S. Broucek

By: _____

Its: _____

CITIZENS COMMUNITY FEDERAL, N.A.,

By: _____

Its: _____

[Signature Page to Third Amended and Restated Executive Employment Agreement by and between Citizens Community Bancorp, Inc., Citizens Community Federal, N.A., and James S. Broucek]

EXHIBIT A

CONFIDENTIAL

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (“Agreement”) is entered into by and between Citizens Community Bancorp, Inc., a Maryland corporation, and its wholly-owned subsidiary, Citizens Community Federal, N.A., a national banking association (collectively, the “Company”), and James S. Broucek (“Executive”).

RECITALS

WHEREAS, Executive has been employed by the Company pursuant to the terms of a [●] Amended and Restated Employment Agreement (the “Employment Agreement”); and

WHEREAS, the Employment Agreement provides for the payment of severance in the event of certain termination circumstances; and

WHEREAS, Executive’s employment with the Company is being terminated under circumstances which trigger the payment of severance; and

WHEREAS, the Employment Agreement requires as a condition to the payment of the severance that Executive first sign and not rescind a separation agreement containing a general release in a form provided by and acceptable to the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Separation. Executive’s position as an employee of the Company shall hereby end effective as of _____, 202___ (the “Separation Date”). As of the Separation Date, Executive will be deemed to have resigned from all director and officer positions, if any, Executive then holds with the Company or any related or affiliated entity, and Executive agrees to provide any requested documentation to confirm any such resignation. Any requests for employment references should be made to [●]. Prospective employers will be provided only the dates of Executive’s employment, the position held and its primary duties.

2. Accrued Obligations. Executive shall receive a final payroll check, which fully compensates Executive for Executive’s current base salary or wage through the Separation Date, including payment for accrued but unused PTO pursuant to the Employment Agreement and Company policy. It is agreed that such lump sum payment shall be made by Company to Executive in accordance with the Company’s regularly scheduled payroll dates and procedures within 30 days following the Separation Date (or earlier to the extent required by law). Executive acknowledges and agrees that Executive is not entitled to or owed any additional compensation

from the Company, except as may be specified herein. All unvested equity interests held by Executive as of the Separation Date, if any, shall terminate and be forfeited, unless those unvested grants shall be deemed to have vested in their entirety as of the Separation Date pursuant to the terms of the applicable grant agreement, the Company's Executive Long Term Incentive Plan, or Citizen Community Bancorp, Inc.'s 2018 Equity Incentive Plan, or any successor plans thereto.

3. Company-Sponsored Benefit Plans. Commencing _____ 1, 202_____, Executive may elect to continue to participate in the group health and dental insurance programs, as allowed by law and the terms of those benefit plans. A COBRA/continuation notice more specifically advising Executive of Executive's rights will be provided to Executive separately. In exchange for the terms of this Agreement, and as set forth in the Employment Agreement, provided that Executive or his spouse or dependents timely elect continuation coverage under a group health plan of the Company pursuant to the requirements of Section 4980B of the Code, as amended, and any similar applicable law, ("COBRA"), Executive shall be eligible for continued participation in the Company's medical and dental plans with the full monthly premiums to be paid by the Company until the earlier of (A) Executive's eligibility for coverage under another employer's group health plan, (B) termination of Executive's rights to continuation coverage under COBRA, or (C) [●] (●) months following the termination of Executive's employment with the Company. Executive agrees and acknowledges that the period of coverage under such plans shall run concurrently with such plans' obligations to provide continuation coverage pursuant to COBRA, and that this subsection shall not extend such plans' obligations to provide continuation coverage under COBRA. [In the event that Executive timely elects COBRA continuation and remains covered under the Company's group health plan, but his right to COBRA continuation terminates under (B) above due to expiration of the maximum COBRA continuation period, and is not extended after 18 months of coverage, then the Company will at that time pay Executive a lump sum amount equal to [●] (●) months of Executive's monthly COBRA premiums, which he may direct toward future health insurance premium payments.] Executive's participation and interest in the Company's 401(k) plan shall be governed by the terms of that benefit plan. All other benefits, including without limitation Executive's disability insurance, if any, will be cancelled as of the Separation Date. The Company shall pay or provide to Executive all vested benefits to which Executive is entitled under any applicable benefit plans of the Company in accordance with the terms of such plans through the Separation Date.

4. Separation Payment. If Executive signs and returns to the Company this Agreement within the period of time specified in paragraph 11 herein, as set forth in Executive's Employment Agreement, Executive shall be paid as separation compensation, less applicable withholdings:

(a) an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/30% of Salary) or, if higher, at actual performance at the time [of termination][a definitive agreement is announced], such amount as prorated through Employee's termination date; and

(b) a payment equal to [●] percent (●%) of (A) the Executive's annual salary at the time of termination and (B) the greater of (x) the amount of an incentive award pursuant to the terms of the Bank's Executive Short Term Incentive Plan for the plan year in which the termination occurs at Level II (i.e. Plan/30% of Salary) as prorated through Employee's termination date or (y) the amount of the average Executive Short Term Incentive Plan awards that Executive received

for the two plan years immediately prior to the plan year in which termination occurs, such amount as prorated through Employee's termination date.

For purposes of unemployment insurance benefits, the Company and Executive agree that the payment described above is termination pay as defined under Wisc. Stat. § 108.05(5), and that the separation payment will be attributed to and allocated as Executive's benefit year weekly wages for each week beginning with the week of _____, 202____, and ending the week of _____, 202____. Executive understands that this separation compensation is effective and will be paid only if Executive first signs this Agreement within 21 calendar days after initially receiving it and does not rescind within the 7-day period described in paragraph 12. Executive must sign and return this Agreement, if at all, so that the Agreement is effective (taking into account the rescission period provided for in paragraph 12) by no later than the twenty-eighth (28th) calendar day following the Separation Date. Subject to the provisions of paragraph 24 of this Agreement, this separation payment will be made to Executive in a lump sum no later than five (5) business days following the expiration of the rescission period provided for in paragraph 12, provided that Executive has not rescinded this Agreement. Where the period available to execute (and to not revoke) this Agreement spans more than one calendar year, the payment shall not be made until the second calendar year as required by the applicable terms of this Agreement and Section 409A of the Internal Revenue Code. Executive understands that this separation payment shall not be subject to retirement plan or deferred compensation plan contribution election by Executive or matching contribution by the Company. Executive represents and warrants that Executive is legally entitled to receive this severance payment and that such payment is not subject to a child support, garnishment, bankruptcy, dissolution, or other order requiring that such payment be made to any other person.

5. Consideration. Executive specifically acknowledges and agrees that the separation payment set forth in paragraph 4 constitutes full and adequate consideration for this Agreement and that, if Executive does not sign this Agreement, rescinds pursuant to paragraph 12, or breaches any of Executive's obligations contained in this Agreement at any time, the Company shall have no obligation to provide this consideration.

6. Release. In exchange for the consideration stated and acknowledged herein, Executive (including anyone who has or obtains any legal rights or claims through or from Executive) hereby unconditionally releases and discharges the Company and its affiliates and related entities, including without limitation Citizens Community Bancorp, Inc., predecessors, successors, (collectively "the Company and its Affiliates"), any Company or Affiliate pension, welfare or other employee benefit plan, and the Company's and its Affiliates' owners, officers, directors, shareholders, members, partners, employees, agents, insurers, consultants, representatives, attorneys, trustees, administrators, and any entity affiliated with any of the foregoing, from any and all past or present claims, demands, obligations, actions, causes of action, damages, costs, debts, liabilities, expenses and compensation of any nature, whether for compensatory or punitive damages, and whether based in tort, contract, or other theory of recovery (collectively the "Claims" and individually a "Claim"), including but not limited to any Claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974 (ERISA) (other than vested benefits under a retirement plan), each as may have been amended, or any other federal, state, or

local law, including without limitation, the Wisconsin Fair Employment Act, Wisconsin Wage Claim and Payment Law, Wisconsin Business Closing and Mass Layoff Law, Wisconsin Cessation of Health Care Benefits Law, Wisconsin Family and Medical Leave Law, Wisconsin Personnel Records Statute, Wisconsin Employment Peace Act, Wisconsin Internet Privacy Protection Act, and Claims based on wrongful discharge, breach of an implied or express contract, promissory estoppel, emotional distress, defamation, misrepresentation, fraud, public policy, common law, good faith and fair dealing, negligence, invasion of privacy, retaliation, or any other Claim that Executive now has or that may hereafter arise out of the relationship between the parties to date, including the termination of Executive's employment, whether known or unknown, foreseen or unforeseen, at the time of signing this Agreement. Executive states and represents the Executive has not and agrees to not institute any lawsuit against or otherwise sue the Company or its Affiliates or any of those named in this paragraph based on any Claim relating in any way to Executive's relationship with the Company or its Affiliates up to the time of signing this Agreement. In the event that any such Claim or action has been or is asserted by Executive or anyone acting directly or indirectly on Executive's behalf, Executive agrees that this release includes a complete waiver of any right to money damages or other individual remedies or relief awarded by a court or any governmental agency, including the Equal Employment Opportunity Commission (EEOC) or similar state agency with which Executive may file a charge or participate in an investigation notwithstanding the terms of this release and promise not to sue or other terms of this Agreement. The foregoing release and promise not to sue shall not apply to and shall not affect the parties' right to enforce, or under the Older Workers Benefit Protection Act (OWBPA) challenge the enforceability of, the terms of this Agreement; to seek remedy for breach of this Agreement; to assert claims which cannot legally be waived under applicable law; to subsequently assert any Claim arising from acts occurring after the date of signing this Agreement; or to assert any claims for defense or indemnification under applicable law or under the terms of the Employment Agreement or an applicable officers' and directors' liability insurance policy. In particular, this release does not prevent Executive from filing a claim for unemployment compensation benefits.

7. Administrative Proceeding. Notwithstanding the release and promise not to sue set forth in paragraph 6 or the other terms of this Agreement, Executive acknowledges that Executive may file a charge or complaint with, participate in an investigation conducted by, or contact or communicate with the EEOC, NLRB, SEC, FINRA or any other governmental agency. Executive agrees, however, that Executive has waived any right to money damages or other individual remedies or relief which might be awarded as a result of any such administrative proceeding, except where such a waiver is prohibited under SEC rules or other applicable law.

8. Return of Property. On the Separation Date, Executive agrees to return promptly all files, documents, manuals or property of any kind, whether in written, electronic, computerized or other form, in Executive's possession or control relating to, or constituting the property of, the Company, its Affiliates, their employees or customers including, but not limited to, all office keys, keys to Company or Affiliate vehicles, credit cards, access cards, security cards, office equipment, cellular phones, computer hardware, software products, agreements or Company or Affiliate products or prototypes. Executive acknowledges that this obligation is continuing and agrees to promptly return to the Company any subsequently discovered property as described above. To the extent that Executive has downloaded or stored any proprietary, privileged, trade secret or confidential information belonging or relating to the Company or its Affiliates, their employees or customers on any personal, non-Company electronic media in Executive's possession, custody, or

control, such as computers, cell phones, hand-held devices, back-up devices, zip drives, USBs, PDAs, and the like, Executive agrees to promptly contact [●], to arrange for transfer of such documents and information back to the Company and for destruction of such documents and information on Executive's personal electronic media. Executive agrees to not retain any copies of such documents or information. Executive represents that Executive has returned to the Company any and all passwords used by Executive with regard to the computer, electronic or communication systems of the Company or its Affiliates and has transitioned all administrative rights used by Executive with regard to all social media and internet-based accounts related to the business operations of the Company, so that the Company has immediate, full and complete access to all data and information stored, used or maintained on or in such systems or accounts. Executive agrees to not access or interfere with or attempt to access or interfere with any of the Company's computer systems, networks or files.

9. Non-Disparagement. Executive agrees not to make any defamatory or maliciously false remarks or comments about the Company or its Affiliates, or any of the foregoing entities' directors, officers, members, employees, or products or services in any respect, including without limitation any such remarks made on or through social media sites or blogs such as Facebook, LinkedIn, Glass Door, or X (fka Twitter). This provision does not prohibit Executive from providing truthful information to any governmental agency or in any legal or administrative agency proceeding from discussing or disclosing information concerning terms and conditions of employment, or from exercising any rights protected by Section 7 of the National Labor Relations Act.

10. Cooperation. Executive agrees to be reasonably available for a period of up to six (6) weeks following the Separation Date for consultation with and assistance to Company or Affiliate representatives with respect to matters and issues within Executive's job responsibilities or knowledge during Executive's employment by the Company. Executive acknowledges and agrees that such cooperation with the Company is necessary for a proper and orderly transition and that the consideration set forth herein fully compensates Executive for this reasonable cooperation.

11. Consideration of Agreement. Executive may consider this Agreement prior to signing for up to 21 calendar days from the Separation Date. Executive understands, however, that Executive is free to sign and return this Agreement at any time within the 21-day period. The parties agree that any changes in this Agreement made prior to signing whether material or not do not restart the 21-day period for consideration. If a signed Agreement is not returned to the Company by the end of this 21-day period, or if Executive breaches any of the provisions set forth herein prior to signing this Agreement, the offer of this Agreement is withdrawn.

12. Rescission. Executive may rescind and revoke this Agreement within seven (7) calendar days after signing it to assert alleged claims under the Age Discrimination in Employment Act. To be effective, Executive agrees that the rescission or revocation must be in writing and hand-delivered or mailed to the Company, c/o [●], 2174 EastRidge Center, Eau Claire, WI 54701, within the 7-day period. If mailed, the rescission or revocation must be (a) postmarked within the 7-day period, (b) properly addressed as set forth in the preceding sentence, and (c) sent by Certified Mail, Return Receipt Requested. If delivered by hand, it must be given to [●] within the 7-day period. Should Executive choose to rescind this Agreement, all terms hereof are canceled and thereby ineffective.

13. Non-Admission. The Company, and all those named in paragraph 6 above, expressly deny any and all liability to Executive and the parties agree that nothing in this Agreement is intended to be, nor shall be deemed to be, an admission of liability or wrongdoing, an admission of the existence of any facts upon which liability or wrongdoing could be based, or a waiver of any defense to any such liability or wrongdoing.

14. Third Party Claims. Executive agrees that Executive will not voluntarily assist or encourage any third party regarding claims or litigation against the Company or its Affiliates. Executive agrees to promptly notify the Company and provide it a copy, prior to responding, if Executive is served with or otherwise receives any subpoena or any other legal process, demand or request seeking Executive's testimony or the production of other evidence or other information. Notwithstanding the foregoing, Executive is not prohibited from filing a charge with or participating in any investigation conducted by the EEOC or other governmental agency without prior notice to the Company.

15. Merger. Except as set forth in paragraph 17 below, this Agreement and any employee benefit plans in which Executive is a participant supersede all prior oral and written agreements and communications between the parties regarding the subject matter hereof.

16. Confidentiality. Executive agrees to keep the terms and conditions of this Agreement strictly confidential and not disclose them to any person other than Executive's immediate family, taxing authorities, attorneys, or accountants as necessary or as required by law. Executive understands and agrees that any disclosure in violation of this confidentiality agreement made by or through Executive, or those listed in the preceding sentence, constitutes a material breach of this Agreement. Executive agrees to not introduce this Agreement in any litigation or proceeding involving the Company, except any action to enforce, or challenge the enforceability of, the terms of this Agreement. This provision does not prohibit Executive from providing truthful information to any governmental entity.

17. Restrictive Covenants. Executive acknowledges and agrees that any agreement with the Company that Executive has previously signed which contains restrictive covenants, such as non-competition, non-solicitation and non-disclosure/confidentiality provisions, including in particular the restrictive covenants and remedies provisions set forth in Executive's Employment Agreement: (i) remain in full force and effect, (ii) such restrictive covenants are supported by separate consideration, and (iii) Executive is fully bound to the continuing obligations under those provisions for the periods specified therein.

18. Breach. If Executive breaches any of Executive's obligations contained in this Agreement, all contingent amounts paid to Executive hereunder or yet to be paid pursuant hereto, shall be considered unearned and, at the election of the Company and as consistent with applicable law, be either not paid and forfeited, or if previously paid, returned to the Company. This provision shall not prevent the Company from pursuing its other remedies and seeking damages for breach of this Agreement. Executive shall be responsible for the payment of the Company's reasonable attorney fees and costs of litigation incurred in successfully enforcing the terms of this Agreement. Executive acknowledges that breach by Executive of the provisions of this Agreement, particularly paragraphs 6, 8, 9, 10, 14, and 17 will cause the Company irreparable harm that is not fully remedied by monetary damages. Accordingly, Executive acknowledges that the Company may

seek injunctive relief regarding Executive's breach or threatened breach of the terms of this Agreement without posting a bond or other security, in addition to any other available legal or equitable remedies and, that such relief may be granted without the necessity of proving actual damages. Executive agrees that both damages at law and equitable relief shall be proper modes of relief and are not to be considered alternative remedies.

19. Severability and Blue Penciling. Executive agrees that the scope and terms of this Agreement are reasonable and that it is Executive's intent and desire that this Agreement be enforced to the fullest extent permissible. In case any one or more of the provisions of this Agreement (other than its release provisions) should be determined invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained in this Agreement will not in any way be affected or impaired thereby. If any particular provision of this Agreement shall be adjudicated to be invalid or unenforceable, Executive and the Company specifically authorize the tribunal making such determination to edit the invalid or unenforceable provision to allow this Agreement, and the provisions thereof to be valid and enforceable to the fullest extent allowed by law and/or public policy.

20. Assignment. This Agreement shall be binding upon Executive's heirs, administrators, representatives, or executors. No assignment of this Agreement shall be made by Executive, and any such purported assignment shall be null and void. This Agreement may be assigned by the Company to any successor or assignee.

21. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Wisconsin, without regard to conflicts of laws provisions.

22. Waiver. No term or condition of this Agreement shall be deemed to have been waived except by a statement in writing signed by the party against whom the enforcement of the waiver is sought. The waiver by the Company of the breach or nonperformance of any provision of this Agreement by Executive will not operate or be construed as a waiver of any future breach or nonperformance under any such provision of this Agreement or any similar agreement with any other employee.

23. Voluntary and Knowing Action. Executive acknowledges that Executive has read and understands the terms of this Agreement and that Executive is voluntarily and without duress entering into this Agreement with full knowledge of its implications. In that this Agreement establishes certain legally enforceable rights and obligations, the Company expressly advises Executive to consult with an attorney prior to signing this Agreement.

24. Section 409A. Notwithstanding any other provision of this Agreement to the contrary, Executive and the Company agree that the payments hereunder shall be exempt from, or satisfy the applicable requirements, if any, of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") in a manner that will preclude the imposition of penalties described in Code Section 409A. Payments made pursuant to this Agreement are intended to satisfy the short-term deferral rule or separation pay exception within the meaning of Code Section 409A. Executive's termination of employment shall mean a "separation from service" within the meaning of Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall, to the maximum extent possible, be administered, interpreted and construed in a manner consistent

with Code Section 409A; provided, that in no event shall the Company have any obligation to indemnify Executive from the effect of any taxes under Code Section 409A. If any payment or benefit provided to Executive in connection with Executive's termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the termination or, if earlier, on Executive's death (the "Specified Employee Payment Date"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date shall be paid to Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

25. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

26. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the termination of Executive's employment and supersedes all prior agreements and understandings, whether written or oral, between the parties relating to such subject matter; provided, however, that nothing in this Agreement supersedes or otherwise alters the terms of any restrictive covenant agreement previously entered into by Executive as set forth in paragraph 17, which Executive acknowledges and agrees remain in full force and effect. This Agreement may not be amended or changed except in writing executed by both parties.

IN WITNESS WHEREOF, the parties have caused this Separation Agreement and Release to be executed on the date set forth below.

CITIZENS COMMUNITY BANCORP, INC.

JAMES S. BROUCEK

By: _____

Its: _____

CITIZENS COMMUNITY FEDERAL, N.A.,

By: _____

Its: _____

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen M. Bianchi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

By: /s/ Stephen M. Bianchi
Stephen M. Bianchi
President and Chief Executive Officer, Chairman of the Board (Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James S. Broucek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens Community Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

By: /s/ James S. Broucek

James S. Broucek
Executive Vice President, Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Citizens Community Bancorp, Inc. (the "Company") certifies that the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: May 8, 2024

By:

/s/ Stephen M. Bianchi

Stephen M. Bianchi

President and Chief Executive Officer, Chairman of the Board (Principal Executive Officer)

Date: May 8, 2024

By:

/s/ James S. Broucek

James S. Broucek

Executive Vice President, Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

The above certifications are made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.