PUBLIC DISCLOSURE

February 13, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens First Bank
Certificate Number: 13032

101 S Main St
Viroqua, Wisconsin 54665

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Citizens First Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's CRA performance:

- The bank's average net loan-to-deposit (LTD) ratio is reasonable given its size, resources, financial condition, and assessment area credit needs.

- The bank made a majority of its small business, home mortgage, and small farm loans in the assessment area.

- The geographic distribution of small business, home mortgage, and small farm loans reflects reasonable dispersion throughout the assessment area.

- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels (including low- and moderate-income).

- The institution did not receive any CRA-related complaints since the previous examination; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Citizens First Bank is a full-service community bank headquartered in Viroqua, Wisconsin and owned by the one-bank holding company Firsnabanco, Incorporated, also located in Viroqua, Wisconsin. The institution received a "Satisfactory" rating at its April 3, 2017, FDIC Performance Evaluation based on Interagency Small Institutions Examination Procedures.

The main office is located in Viroqua, Wisconsin and five additional branches are located in Viola, Sparta, Trempealeau, Centerville, and Holmen, Wisconsin. The Holmen branch opened in July 2022. The bank offers loan products including commercial, home mortgage, agricultural, and consumer loans, primarily focusing on the former three categories. The bank provides a variety of deposit services including checking, savings, and certificates of deposit. The bank has four withdrawal-only automated teller machines that are located at the Viroqua, Sparta, Trempealeau, and Holmen locations. Alternative banking services include 24-hour internet and mobile banking, bill pay, and remote deposit capture. There have been no mergers or acquisitions since the previous evaluation and no changes to the bank's business strategy.

As of December 31, 2022, the institution had total assets of $305.8 million, total loans of $215.1 million, and total deposits of $262.0 million. All of these categories have grown significantly since the prior evaluation. Total assets increased by $124.8 million, or 68.9 percent; total loans increased by $81.6 million, or 61.2 percent; and total deposits increased by $106 million, or 68.0 percent. Commercial lending has experienced significant growth as a percent of the overall loan portfolio, increasing by 16.3 percent, since the prior evaluation. Both agricultural and home mortgage lending have decreased in relation to the overall portfolio, decreasing by 11.8 percentage points and 6.7 percentage points, respectively. The table below shows the distribution for each loan category by dollar volume as of December 31, 2022.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	14,012	6.5
Secured by Farmland	25,298	11.8
Secured by 1-4 Family Residential Properties	18,683	8.7
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	122,102	56.8
Total Real Estate Loans	180,095	83.7
Commercial and Industrial Loans	14,348	6.7
Agricultural Production and Other Loans to Farmers	7,268	3.4
Consumer Loans	3,990	1.9
Obligations of State and Political Subdivisions in the U.S.	9,273	4.3
Other Loans	74	0.0
Total Loans	215,048	100.0
Source: Reports of Condition and Income		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. Citizens First Bank has two designated assessment areas. The first assessment area includes a contiguous non-metropolitan statistical area (MSA) comprised of all of Vernon County, all of Monroe County, two census tracts in the northern part of Richland County, and two census tracts in the northern part of Crawford County. The second assessment area includes three census tracts in northwestern La Crosse County, located in the La Crosse-Onalaska MSA, and one contiguous census tract in southern Trempealeau County, located in the Wisconsin non-MSA. This assessment area is new since the prior evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the April 3, 2017 evaluation to the current evaluation. Examiners used the Interagency Small Institution Examination Procedures to evaluate CRA performance. The procedures consist of evaluating the bank's performance under the Lending Test. The Appendix details the performance criteria for this test, while the Glossary provides for pertinent definitions. This evaluation does not include any lending activity performed by affiliates.

Both assessment areas received full-scope reviews. Examiners weighed performance in the non-MSA assessment area more heavily than performance in the La Crosse-Onalaska MSA assessment area when determining conclusions and the overall rating. The non-MSA assessment area has the vast majority of the bank's loans and deposits. In addition, the new branch in Holmen was in operation less than half of the calendar year, resulting in limited lending opportunities for the assessment area.

Activities Reviewed

Examiners determined that the bank's major product lines are small business, home mortgage, and small farm loans. This conclusion considered business strategy, Call Report data, and the number and dollar volume of loans originated during the evaluation period. Bank records and discussions with bank management indicate that, while commercial lending increased as a percentage of the product mix, the lending focus remained consistent throughout the evaluation period.

The bank's record of originating small business and home mortgage loans contributed more weight in the overall conclusions than small farm loan activity due to the number and dollar volume of these loan types. No other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not analyzed.

Examiners considered all small business loans originated January 1, 2022, through December 31, 2022. The bank originated 285 small business loans totaling $41.5 million. For the Borrower Profile criterion, examiners reviewed a random sample of 55 small business loans totaling $6.7 million.

Examiners also considered all home mortgage loans originated from January 1, 2022, through December 31, 2022. The bank originated 233 home mortgage loans totaling $34.6 million. For the Borrower Profile criterion, examiners reviewed a random sample of 55 home mortgage loans totaling $8.2 million.

Examiners considered all small farm loans originated January 1, 2022, through December 31, 2022. The bank originated 211 small farm loans totaling $18.4 million. For the Borrower Profile criterion, examiners reviewed a random sample of 55 small farm loans totaling $5.5 million.

D&B data provided a standard of comparison for small business and small farm lending. The 2020 US Census demographic data provided standards of comparison for home mortgage lending.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. The LTD ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance supports this conclusion.

Loan-to-Deposit Ratio

Citizens First Bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area needs. The ratio, calculated from Call Report data, averaged 84.5 percent over the past 22 calendar quarters from June 30, 2017, to September 30, 2022. The ratio ranged from a low of 72.7 percent as of December 31, 2021, to a high of 97.6 percent as of September 30, 2018. The ratio slightly declined during the evaluation period. Citizens First Bank maintained a ratio comparable to those of similarly situated institutions (SSIs) as shown in the following table. Examiners selected SSIs based on their asset size, banking structure, geographic location, and lending focus.

Loan-to-Deposit Ratio (LTD) Comparison		
Bank	**Total Assets as of 9/30/2022 ($000s)**	**Average Net LTD Ratio (%)**
Citizens First Bank	**272,451**	**84.5**
Farmers State Bank	176,455	61.4
Sterling Bank	307,237	69.0
Waumandee State Bank	283,198	83.4
Bank of Alma	161,205	104.5
Source: Reports of Condition and Income 6/30/2017 - 9/30/2022		

Assessment Area Concentration

The bank originated a majority of small business, home mortgage, and small farm loans in its assessment areas.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					**Dollar Amount of Loans $(000s)**				
Loan Category	**Inside**		**Outside**		**Total**	**Inside**		**Outside**		**Total**
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Small Business	201	70.5	84	29.5	285	22,665	54.6	18,875	45.4	41,539
Home Mortgage	178	76.4	55	23.6	233	24,665	71.3	9,949	28.7	34,614
Small Farm	194	91.9	17	8.1	211	16,310	88.6	2,100	11.4	18,410
Totals	**573**	**78.6**	**156**	**21.4**	**729**	**63,640**	**67.3**	**30,924**	**32.7**	**94,563**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. Examiners based this conclusion primarily on the excellent dispersion of home mortgage loans and reasonable dispersion of small business and small farm loans in the non-MSA assessment area. For this performance criterion, examiners focused on the percentage of loans by number originated within moderate-income census tracts of the assessment area, as the assessment area does not contain any low-income census tracts. Examiners did not evaluate the bank's lending performance for this criterion in the La Crosse-Onalaska MSA assessment area because the assessment area does not contain any low- or moderate-income census tracts.

Borrower Profile

The distribution of borrowers reflects reasonable penetration. Examiners based this conclusion primarily on the reasonable distribution of small business loans, home mortgage, and small farm loans in the non-MSA assessment area. Examiners focused on the percentage, by number, of small business and small farm loans to entities with gross annual revenues of $1 million or less and number of home mortgage loans to low- and moderate-income borrowers within the assessment areas.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

NON-MSA ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON-MSA ASSESSMENT AREA

The non-MSA assessment area contains 20 tracts and consists of Vernon County, Monroe County, two census tracts in the northern part of Richland County, and two census tracts in the northern part of Crawford County. The assessment area consists of contiguous tracts and remains unchanged since the previous evaluation. Sources of the data used in this section are as follows: Federal Financial Institutions Examination Council (FFIEC), 2020 U.S. Census, D&B, U.S. Bureau of Labor Statistics, Wisconsin Realtors Association, and Wisconsin Department of Workforce Development.

Economic and Demographic Data

The non-MSA assessment area consists of two moderate-income census tracts, 17 middle-income census tracts, and one upper-income census tract. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	20	0.0	10.0	85.0	5.0	0.0
Population by Geography	89,516	0.0	10.3	83.2	6.5	0.0
Housing Units by Geography	41,278	0.0	11.1	83.6	5.3	0.0
Owner-Occupied Units by Geography	26,502	0.0	7.8	85.7	6.4	0.0
Occupied Rental Units by Geography	8,960	0.0	23.4	73.8	2.8	0.0
Vacant Units by Geography	5,816	0.0	7.2	88.8	4.0	0.0
Businesses by Geography	6,305	0.0	15.5	79.1	5.4	0.0
Farms by Geography	948	0.0	4.5	86.8	8.6	0.0
Family Distribution by Income Level	23,094	19.3	18.7	23.6	38.3	0.0
Household Distribution by Income Level	35,462	23.3	16.9	19.1	40.7	0.0
Median Family Income Non-MSAs – WI		$71,740	Median Housing Value			$156,523
			Median Gross Rent			$780
			Families Below Poverty Level			7.8%

Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Examiners use the 2022 FFIEC median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
WI NA Median Family Income (99999)				
2022 ($81,500)	<$40,750	$40,750 to <$65,200	$65,200 to <$97,800	≥$97,800
Source: FFIEC				

The population of the assessment area has remained generally unchanged since the previous evaluation. The total population reported by the 2020 U.S. Census is only 1.5 percent, or 1,366 people, more than that reported by the 2015 American Community Survey.

According to 2020 US Census data, there are 41,278 housing units in the assessment area. Of the housing units in the assessment area, 64.2 percent are owner-occupied, 21.7 percent are occupied rental units, and 14.1 percent are vacant.

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. This information provides insight into the housing market availability and credit needs, as well as the potential affordability of the housing to low- and moderate-income borrowers. As the following table illustrates, the median home prices for the counties within the assessment area increased since the prior evaluation.

County Housing Sales and Median Prices			
County	**Year-End**	**Sales**	**Median Home Price**
Vernon			
	2018	290	$148,750
	2019	267	$167,225
	2020	339	$185,750
	2021	327	$176,725
	2022	257	$221,725
Monroe			
	2018	524	$145,875
	2019	526	$158,475
	2020	614	$172,000
	2021	598	$189,062
	2022	481	$222,000
Richland			
	2018	167	$126,750
	2019	145	$146,800
	2020	157	$156,175
	2021	185	$170,875
	2022	199	$196,500
Crawford			
	2018	170	$128,750
	2019	192	$135,634
	2020	215	$136,925
	2021	187	$161,000
	2022	191	$176,000
Source: Wisconsin Realtors Association			

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by gross annual revenues (GARs) levels. The tables for the Borrower Profile criterion contain the distributions by GARs reported by D&B in 2022. Service industries represent the largest portion of businesses at 27.9 percent, followed by non-classifiable establishments at 17.9 percent, and agriculture, forestry, and fishing at 13.1 percent. In addition, 64.9 percent of area businesses have four or fewer employees, and 89.9 percent of businesses operate from a single location. The demographic data illustrates that there is a moderate presence of small farms and small businesses operating within the assessment area. In 2022, D&B reported that there were 928 farms and 5,293 non-farm businesses, with GARs of or below $1 million, in the assessment area.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in the assessment area counties were slightly increasing prior to the COVID-19 pandemic, then sharply increased in the second quarter of 2020. The unemployment rates in all areas have steadily declined. The following table shows the unemployment rates for the assessment area counties, state, and nationwide.

Unemployment Rates					
Area	**2018**	**2019**	**2020**	**2021**	**Dec 2022**
	%	**%**	**%**	**%**	**%**
Vernon County	2.8	3.1	5.2	3.2	2.2
Monroe County	2.7	2.9	5.6	3.2	2.2
Richland County	2.6	3.0	5.1	3.5	2.2
Crawford County	3.7	4.0	7.4	4.4	3.5
Statewide	3.0	3.2	6.3	3.8	2.3
Nationwide	3.9	3.7	8.1	5.3	3.3
Source: Bureau of Labor Statistics.					

According to the Wisconsin Department of Workforce Development, major employers in the assessment area include Fort McCoy Info Operator, Northern Engraving Corp, US Veterans Medical Center, Walmart Distribution Center, and Toro CO.

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2022, 17 financial institutions operated 46 full-service branches within the assessment area. Of these institutions, Citizens First Bank ranked fourth with a 9.2 percent deposit market share.

The bank is not required to collect or report small business, small farm, or home mortgage data, and it has elected not to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data is an indicator of the level of demand for lending. Aggregate data for 2021 shows 65 lenders reported 1,215 small business loans in Vernon, Monroe, Richland, and Crawford Counties. Aggregate data for 2020 shows 17 lenders reported 275 small farm loans in these counties. Aggregate data for 2021 shows 196 lenders reported 2,916 home mortgage loans in the assessment area. The aforementioned aggregate data indicates a moderate degree of competition for small business and home mortgage loans and a fair degree of competition for small farm loans. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate data reflects.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs.

Examiners used information from a recently completed community contact. The contact is a director of a non-profit organization that serves low-income families and small businesses in Vernon, Monroe, Crawford, and La Crosse Counties. The contact stated that Vernon and Monroe Counties are rural, sparsely populated, and have aging populations. Also, prior to the COVID-19 pandemic, the baby boomer generation of business owners were transitioning their business models to focus on succession planning and retirement.

The contact noted that the Wisconsin Economic Development Corporation Main Street Bounceback Grant program has allowed new or existing businesses and non-profit organizations to move into vacant properties in Wisconsin downtown and commercial corridors. These programs, along with job uncertainty caused by the COVID-19 pandemic, started a trend where individuals that were previously in the traditional workforce left to start their own businesses.

The contact stated that small businesses, entrepreneurs, and start-ups need gap funding. In addition, many business owners who have received grant money are able to get their businesses up and running, but after about a year they need a traditional business loan. The contact stated that there is a significant need for new affordable housing projects due to low housing stock. Existing housing stock for rehabilitation have primarily low-quality options. The contact further stated that there is a need for market rate housing, so that individuals have opportunities to move from affordable to market rates, which would further open up affordable housing.

The contact indicated that financial institutions have been responsive to the credit needs in the area as a whole. However, institutions could make more of an effort to assist small business owners and entrepreneurs through flexible lending options. In addition, the contact stated that institutions need to put more attention into business education programs and affordable housing development.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and small farm loans represent a primary credit need of the assessment area. Small business and farm loans, particularly those for start-up businesses, are in demand. Opportunity exists for originating such loans throughout the assessment area. The significant percentage of businesses and farms with GARs of $1 million or less and the large number of businesses with four or fewer employees support this conclusion. Furthermore, the assessment area has a significant need for home mortgage lending to low- and moderate-income borrowers.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA ASSESSMENT AREA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. Geographic distribution and borrower profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including the assessment area moderate-income geographies. The excellent dispersion for home mortgage loans and reasonable dispersion for small business and small farm loans support this conclusion. Examiners compared the bank's small business and small farm lending performances to the available D&B data, and home mortgage lending performance to demographic data. The following data and analyses only include loans originated within the non-MSA assessment area.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank's performance in its moderate-income census tracts is comparable to the demographic benchmarks.

Geographic Distribution of Small Business Loans Assessment Area: Non-MSA					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Moderate	15.5	27	16.7	3,227	20.4
Middle	79.1	122	75.3	11,611	73.6
Upper	5.4	13	8.0	944	6.0
Totals	**100.0**	**162**	**100.0**	**15,782**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The bank's performance by number of loans exceeds demographic benchmarks of owner-occupied housing units by 11.6 percentage points for moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans Assessment Area: Non-MSA					
Tract Income Level	**% of Owner-Occupied Housing Units**	**#**	**%**	**$(000s)**	**%**
Moderate	7.8	30	19.4	4,285	20.2
Middle	85.7	101	65.2	12,664	59.6
Upper	6.4	24	15.5	4,283	20.2
Totals	**100.0**	**155**	**100.0**	**21,232**	**100.0**
Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. The bank's performance by number of loans exceeds the demographic benchmarks in moderate-income tracts by 3.3 percentage points.

Geographic Distribution of Small Farm Loans Assessment Area: Non-MSA					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Moderate	4.5	14	7.8	602	4.1
Middle	86.8	153	85.0	12,250	83.6
Upper	8.7	13	7.2	1,801	12.3
Totals	**100.0**	**180**	**100.0**	**14,653**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, and businesses and farms of different sizes. Examiners focused on the percentage by number of small business and small farm loans to businesses and farms with GARs of $1 million or less. For these loan categories, examiners compared the bank's performance to available D&B data. Examiners also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of $1 million or less. The following table shows the percentage of sampled loans originated to businesses with GARs of $1 million or less trails the percentage of businesses in this revenue category by 4.8 percentage points. Overall, the bank's performance with the sampled loans is substantially similar to the demographic benchmarks of the assessment area despite the minor differences.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Non-MSA					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	83.9	34	79.1	2,451	68.2
>$1,000,000	4.0	9	20.9	1,141	31.8
Revenue Not Available	12.1	0	0.0	0	0.0
Totals	**100.0**	**43**	**100.0**	**3,592**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*					

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

The bank's performance for low-income borrowers trails the percentage of low-income families in the assessment area by 14.6 percentage points. However, a low-income family in the assessment area, with an income of $40,750 or below in 2022 would face difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing values ranging between $176,000 and $222,000. Therefore, the demand and opportunity for lending to low-income families are relatively limited. Further, 2020 U.S. Census data shows a poverty level of 7.8 percent in the assessment area. Families in poverty face increased challenges, as this segment is not typically able to support a traditional mortgage loan. Although not a direct comparator, aggregate data for 2021, the most recent year of available data, shows only 4.9 percent of home mortgage loans made in the assessment area were to low-income individuals.

Citizens First Bank's performance to moderate-income borrowers exceeds the demographic benchmark by 4.6 percentage points.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Non-MSA					
Borrower Income Level	**% of Families**	**#**	**%**	**$(000s)**	**%**
Low	19.3	2	4.7	175	2.8
Moderate	18.7	10	23.3	1,032	16.3
Middle	23.6	12	27.9	1,367	21.5
Upper	38.3	16	37.2	3,640	57.4
Not Available	0.0	3	7.0	133	2.1
Totals	**100.0**	**43**	**100.0**	**6,347**	**100.0**
Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of $1 million or less. Citizens First Bank’s performance trails the percentage of farms in the area by just 2.0 percentage points. Overall, the bank’s performance is substantially similar to the demographics of the area.

Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: Non-MSA					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	97.9	47	95.9	3,959	82.3
>$1,000,000	1.4	2	4.1	850	17.7
Revenue Not Available	0.7	0	0.0	0	0.0
Totals	**100.0**	**49**	**100.0**	**4,809**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

LA CROSSE-ONALASKA MSA ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LA CROSSE-ONALASKA MSA ASSESSMENT AREA

The MSA assessment area contains four census tracts. One tract is located in southern Trempealeau County and three are located in Northwestern La Crosse County. Citizens First Bank expanded its assessment area in July 2022, after opening its branch in Holmen, to include the three census tracts located in the La Crosse MSA. The one census tract in southern Trempealeau County, a non-MSA tract, is contiguous with the La Crosse tracts and was included in this assessment area. The census tract contains similar demographics and it does not substantially exceed the MSA's boundaries. Sources of the data used in this section are as follows: Federal Financial Institutions Examination Council (FFIEC), 2020 U.S. Census, D&B, U.S. Bureau of Labor Statistics, Wisconsin Realtors Association, and Wisconsin Department of Workforce Development.

Economic and Demographic Data

The MSA assessment area consists of three middle-income census tracts and one upper-income census tract. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	24,482	0.0	0.0	78.0	22.0	0.0
Housing Units by Geography	9,254	0.0	0.0	78.0	22.0	0.0
Owner-Occupied Units by Geography	6,839	0.0	0.0	74.5	25.5	0.0
Occupied Rental Units by Geography	1,993	0.0	0.0	88.1	11.9	0.0
Vacant Units by Geography	422	0.0	0.0	86.7	13.3	0.0
Businesses by Geography	1,283	0.0	0.0	77.1	22.9	0.0
Farms by Geography	94	0.0	0.0	73.4	26.6	0.0
Family Distribution by Income Level	6,212	11.5	15.1	26.3	47.1	0.0
Household Distribution by Income Level	8,832	13.3	13.8	18.6	54.4	0.0
Median Family Income MSA - 29100 La Crosse-Onalaska, WI-MN MSA		$81,684	Median Housing Value			$215,221
Median Family Income Non-MSAs - WI		$71,740	Median Gross Rent			$909
			Families Below Poverty Level			2.2%

Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

Examiners use the 2022 FFIEC median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
La Crosse-Onalaska, WI-MN MSA Median Family Income (29100)				
2022 ($90,800)	<$45,400	$45,400 to <$72,640	$72,640 to <$108,960	≥$108,960
WI NA Median Family Income (99999)				
2022 ($81,500)	<$40,750	$40,750 to <$65,200	$65,200 to <$97,800	≥$97,800
Source: FFIEC				

According to 2020 US Census data, there are 9,254 housing units in the assessment area. Of the housing units in the assessment area, 73.9 percent are owner-occupied, 21.5 percent are occupied rental units, and 4.6 percent are vacant.

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. This information, provides insight into the housing market availability and credit needs, as well as the potential affordability of the housing to low- and moderate-income borrowers. As the following table illustrates, the median home prices for the counties within the assessment area increased since the prior evaluation.

County Housing Sales and Median Prices			
County	**Year-End**	**Sales**	**Median Home Price**
La Crosse			
	2018	1,489	$190,250
	2019	1,522	$194,100
	2020	1,637	$215,000
	2021	1,623	$234,500
	2022	1,518	$263,225
Trempealeau			
	2018	245	$140,750
	2019	276	$154,250
	2020	323	$170,425
	2021	366	$185,250
	2022	330	$213,750
Source: Wisconsin Realtors Association			

The analysis of small business and small farm loans under the Borrower Profile criterion compares the distribution of businesses and farms by GARs. The tables for the Borrower Profile criterion contain the distributions by GARs reported by D&B in 2022. Service industries represent the largest portion of businesses at 29.9 percent, followed by non-classifiable establishments at 21.9 percent, and retail trade at 11.2 percent. In addition, 62.5 percent of area businesses have four or fewer employees, and 93.2 percent of businesses operate from a single location. The demographic data illustrates that there is low presence of small farms and a moderate presence of small businesses operating within the assessment area. In 2022, D&B reported that there were 90 farms and 1,146 non-farm businesses, with GARs of or below $1 million, in the assessment area.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in the assessment area counties were slightly increasing prior to the COVID-19 pandemic, then sharply increased in the second quarter of 2020. The unemployment rates in all areas have steadily declined. The following table shows the unemployment rates for the assessment area counties, state, and nationwide.

Unemployment Rates					
Area	**2018**	**2019**	**2020**	**2021**	**Dec 2022**
	%	**%**	**%**	**%**	**%**
La Crosse County	2.6	2.8	5.4	3.0	1.9
Trempealeau County	2.8	3.4	7.0	3.7	2.9
Statewide	3.0	3.2	6.3	3.8	2.3
Nationwide	3.9	3.7	8.1	5.3	3.3
Source: Bureau of Labor Statistics.					

According to the Wisconsin Department of Workforce Development, major employers in the assessment area include Northern Engraving Corp, Holmen High School, Holmen Village Parks & Rec, Festival Foods, Deerwood Park, and Gea Technologies.

<u>Competition</u>

The assessment area is fairly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2022, seven financial institutions operated nine full-service branches within the assessment area. Of these institutions, Citizens First Bank ranked fourth with a 15.2 percent deposit market share.

The bank is not required to collect or report small business, small farm, or home mortgage data, and it has elected not to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data is an indicator of the level of demand for lending. Aggregate data for 2021 shows 59 lenders reported 1,666 small business loans in La Crosse and Trempealeau Counties. Aggregate data for 2021 shows 16 lenders reported 83 small farm loans in these counties. Aggregate data for 2021 shows 120 lenders reported 1,494 home mortgage loans in the assessment area. The aforementioned aggregate data indicates a moderate degree of competition for small business and home mortgage loans, as well as fair competition for small farm loans. Many institutions are not required to report lending data; therefore, competition for these loan types is greater than the aggregate data reflects.

<u>Community Contact</u>

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs.

Examiners used information from a recently completed community contact. The contact is a director of a small business development center that serves La Crosse, Trempealeau, Buffalo, Jackson, Juneau, Monroe, and Vernon Counties.

The contact stated that the areas are rural and sparsely populated. Also that the counties have a similar aging population relative to Vernon and Monroe Counties. In addition, the contact stated that food and beverage represents a large portion of businesses; however, the COVID-19 pandemic has had lasting effects. For instance, restaurants are open fewer days a week and fewer hours a day.

The contact stated that there is a large need for financial literacy programs that target business owners. Also, that businesses will soon need additional financing because the grant programs and Paycheck Protection Program were temporary. The contact also indicated that the food and beverage industry have greater demand for financing than other industries in the area.

The contact stated that local financial institutions have been responsive to the credit needs of the area but that financial institutions can improve through business education programs, flexible programs and concerted lending efforts to the food and beverage industry, and additional use of SBA-guaranteed and CDFI-guaranteed loan programs.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and small farm loans represent a primary credit need of the assessment area. Small business and farm loans, particularly those for start-up and newer businesses, are in demand. The significant percentage of businesses and farms with GARs of $1 million or less and the large number of businesses with four or fewer employees support this conclusion. Furthermore, as indicated by the demographic and economic data, the assessment area has a significant need for home mortgage lending to low- and moderate-income borrowers.

CONCLUSIONS ON PERFORMANCE CRITERIA IN LA CROSSE-ONALASKA MSA ASSESSMENT AREA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. Borrower profile performance supports this conclusion.

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies. Therefore, examiners did not evaluate this criterion as such a review would not result in meaningful conclusions.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Examiners focused on the percentage by number of small business and small farm loans to businesses and farms with GARs of $1 million or less. For these loan categories, examiners compared the bank's performance to available D&B data. Examiners also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of $1 million or less. The bank's performance with the sampled loans trails the percentage of businesses with GARs of $1 million or less by 39.3 percentage points. However, while not a direct comparator, aggregate data for 2021, which is the most recent year of available data, shows only 47.5 percent of originated loans were to business with GARs of $1 million or less. Citizens First Bank exceeds the aggregate data by 2.5 percentage points.

Examiners considered mitigating factors when determining that this performance is reasonable. First, small businesses typically have access to alternative funding sources, such as personal lines of credit or credit cards. Second, not all small businesses reporting to D&B are in the market for a traditional small business loan. Third, the bank did not open its branch in Holmen until July 2022. Therefore, the bank's lending activity in this area is limited during the evaluation period. The lack of lending activity for the full year resulted in less loans for this assessment area being included in the random sample.

Distribution of Small Business Loans by Gross Annual Revenue Category
Assessment Area: La Crosse-Onalaska MSA

Gross Revenue Level	% of Businesses	#	%	$(000s)	%
<=$1,000,000	89.3	6	50.0	1,193	39.0
>$1,000,000	3.7	6	50.0	1,865	61.0
Revenue Not Available	7.0	0	0.0	0	0.0
Totals	**100.0**	**12**	**100.0**	**3,057**	**100.0**

Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels is reasonable, including loans low- and moderate-income borrowers.

Based on the sample, the bank did not originate any home mortgage loans to low-income borrowers in 2022. A low-income family in the assessment area, with 2022 incomes of $45,400 or below in the three MSA tracts, and $40,750 or below in the one non-MSA, would face difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing values of $213,750 in Trempealeau County and $263,225 in La Cross County.

Therefore, the demand and opportunity for lending to low-income families are relatively limited. Further, 2020 U.S. Census data shows a poverty level of 2.2 percent in the three MSA census tracts and 7.8 percent in the one non-MSA tract. Families in poverty face increased challenges, as this segment is not typically able to support a traditional mortgage loan. Although not a direct comparator, aggregate data for 2021 shows only 4.6 percent of home mortgage loans made in the assessment area were to low-income individuals. In addition, as noted above, the Holmen branch did not open until July 2022, limiting the lending activity in this assessment area.

Citizens First Bank's performance exceeds the demographic benchmarks for moderate-income borrowers by 26.6 percentage points.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: La Crosse-Onalaska MSA					
Borrower Income Level	**% of Families**	**#**	**%**	**$(000s)**	**%**
Low	11.5	0	0.0	0	0.0
Moderate	15.1	5	41.7	765	42.3
Middle	26.3	2	16.7	91	5.0
Upper	47.1	4	33.3	834	46.1
Not Available	0.0	1	8.3	120	6.6
Totals	**100.0**	**12**	**100.0**	**1,810**	**100.0**
Source: 2020 U.S. Census; Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration of loans to farms with GARs of $1 million or less. All of the loans sampled in this assessment area were to farms with GARs of $1 million or less.

Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: La Crosse-Onalaska MSA					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000	95.7	6	100.0	729	100.0
>$1,000,000	2.1	0	0.0	0	0.0
Revenue Not Available	2.1	0	0.0	0	0.0
Totals	**100.0**	**6**	**100.0**	**729**	**100.0**
Source: 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
3) The geographic distribution of the bank's loans;
4) The institution's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the institution under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.
Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.
Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.