



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Citizens Community Bank

Person to be contacted regarding this report:	James R. Black
UST Sequence Number:	164
CPP Funds Received:	3,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 23, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	35326
City:	South Hill
State:	Virginia

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The CPP capital proceeds insured CCB a greater ability to support lending in its markets area as exhibited by the \$5.3 million in gross loan growth from December 31, 2008 to December 31, 2009.
<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	CCB utilized a portion of the CPP proceeds to purchase U. S. agency mortgage-backed securities and investment grade securities in efforts to support general economic activity and provide additional earnings to support dividend payments associated with CPP.

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The CPP capital provided a greater capital cushion to support an increase in non-performing assets.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	The CPP capital provided a greater capital cushion to support an increase in net charge-offs.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

Citizens Community Bank, ("CCB") was able to reduce its cost of equity compared to other sources of capital available at the time. During this period, capital markets were seized up and the cost of attracting additional equity was extremely high, if not impossible to attract. This allowed the Bank to avoid paying for higher forms of capital, thus maximizing shareholder value to date.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Without the capital infusion of CPP funds, CCB had the ability; however, may not have purchased additional U. S. Agency mortgage-backed and investment grade securities in efforts to generate additional earnings to support the dividend payments associated with CPP capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Even though CCB was well capitalized prior to the receipt of CPP capital, the additional CPP proceeds allows the Bank to maintain a g