

## Statement of Policy

The Compensation Committee (the "Committee") is established by the Board of Directors (the "Board") of Citizens Community Bancorp, Inc. (the "Corporation") to draft and recommend to the Board a comprehensive compensation philosophy for the Corporation and Citizens Community Federal N.A., the wholly-owned subsidiary of the Corporation (the "Bank"), which philosophy will serve as both a tool and guide in the Corporation and the Bank's strategic planning process. The Committee will: (A) oversee and review the compensation of the Corporation's executive officers, senior managers, directors, and all other employees and conduct an annual audit of same by the Bank's internal auditor, to ensure consistency with the Bank's compensation philosophy adopted by the Board (B) produce an annual report on executive compensation for inclusion in the Corporation's proxy statement in accordance with applicable rules and regulations, and (C) oversee and advise the Board on the adoption of policies that govern the Corporation's annual compensation and incentive compensation plans and equity-based plans.

## Committee Composition and Meetings

The Committee will consist of at least two members of the Board, each of whom are "independent directors" within the meaning of the rules of the NASDAQ Stock Market ("NASDAQ"). In particular, Committee member shall: (a) not have a relationship which would interfere with the exercise of independent judgment in carrying out director responsibilities; (b) not be, and not have been in the past three years, an executive officer or employee of the Corporation; (c) not have a family member who has been an executive officer of the Corporation within the past three years; (d) not have accepted, and not have a family member who is an executive officer of the Corporation and accepted, more than \$120,000 in compensation from the Corporation during any twelve month period within the last three years (not including compensation received for director service, tax-qualified retirement plan payments or other non-discretionary compensation for prior services rendered); (e) not be, and not have a family member who is, a current partner of the Corporation's independent registered public accounting firm or who is a partner or employee of Corporation's independent registered public accounting firm who worked on the Corporation's audit at any time during any of the past three years; (f) not be, and not have a family member who is, employed as an executive officer of another company where any of the Corporation's current executive officers during the past three years served on the compensation committee of such other company; and (g) not be, and not have a family who is, a partner in (but not a limited partner), or a controlling shareholder or an executive officer of an organization that has made to or received from the Corporation payments for property or services (including charitable donations) in an amount which, in the current or any of the last three fiscal years, exceeds greater of 5% of recipient's consolidated gross revenues or \$200,000. All Committee members shall also be "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934, as amended. The members of the Committee and its Chairperson shall be appointed by the Board and may be removed by the Board in its discretion.

Each of the members of the Committee shall be appointed by the Board to serve on the Committee until his or her successor has been duly elected and qualified. Unless a chairperson is elected by the Board, the members of the Committee may designate a chairperson by majority vote of the full Committee membership.

## Committee Duties, Responsibilities, and Process

The responsibilities of the Committee shall include:

- A. Ensuring and requiring that the Chief Executive Officer of the Corporation is not present during voting or deliberations by the Compensation Committee on his or her compensation.

- B. Reviewing and approving the goals and objectives of the Corporation relating to the Chief Executive Officer's compensation; evaluating the Chief Executive Officer in light of those goals and objectives; and determining the Chief Executive Officer's compensation, including salary, bonus and incentive and equity compensation, based on this evaluation.
- C. Reviewing and approving the goals and objectives of the Corporation relating to the compensation of the Corporation's other executive officers; evaluating the performance of those executive officers in light of these goals and objectives; and, determining the compensation of those executive officers including salary, bonus and incentive and equity compensation, based on this evaluation.
- D. If required by applicable rules of the Securities and Exchange Commission, producing an annual report on executive compensation for inclusion in the Corporation's proxy statement.
- E. Making recommendations to the Board with respect to incentive compensation plans and equity-based plans, including amendments thereto; establishing criteria for the granting of options and other equity awards to the Corporation's officers; and reviewing and approving the granting of such options and other equity awards in accordance with such criteria.
- F. Administering the Corporation's incentive compensation plans and equity-based plans in accordance with the responsibilities assigned to the Committee under any and all such plans.
- G. Reviewing and making recommendations to the Board with respect to the compensation of the directors of the Corporation.
- H. Performing an annual review and evaluation of the compensation structures, and merit pay program of the Bank.
- I. At least annually, reviewing and assessing the adequacy of this Charter and recommending any proposed changes to the Board for approval.
- J. Having the sole discretion to retain or obtain the advice of a compensation consultant, legal counsel or other adviser.
- K. Being responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser it retains.
- L. Assessing the results of the most recent say-on-pay vote (to determine whether any changes to pay policies are needed).
- M. Overseeing compliance with director stock ownership guidelines provided in the Corporate Governance Guidelines.
- N. Overseeing the assessment of risks associated with the Corporation's compensation programs and practices in the context of its risk profile, together with its other risk mitigation and risk management programs, to ensure that these programs and practices work together for the long-term benefit of Citizens and its stockholders and to determine whether such compensation policies and practices are reasonably likely to have a material adverse effect on the Corporation.
- O. Reviewing Compensation Discussion and Analysis

The Board shall review annually the scope of responsibilities of the Committee and the effectiveness with which the Committee has carried out its responsibilities during the foregoing year. The Committee shall report to the Board and shall have such power and authority as is necessary for it to fulfill its responsibilities. The Committee shall perform such functions and retain such authority until otherwise provided by the Board or unless any such matter is specifically approved by the Board.

## Investigations and Studies; Outside Advisers

The Corporation shall provide the Committee with appropriate funding for payment of compensation; fees and expenses to any compensation consultant or other advisor that the Committee may deem appropriate to engage to assist it with its duties and responsibilities. The Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Compensation Committee only after taking into consideration the following six factors:

- A. The provision of other services to the Corporation by the person that employs the compensation consultant, legal counsel or other adviser;
- B. The amount of fees received from the Corporation by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
- C. The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
- D. Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- E. Any stock of the Corporation owned by the compensation consultant, legal counsel or other adviser; and,
- F. Any business or personal relationship of the compensation consultant, legal counsel, other adviser of the person employing the adviser with an Executive Officer of the Corporation.

## Meetings

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities; provided, the Committee shall meet at least once a year.

## Minutes

The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.