



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 7, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Citizens Financial Bank
Charter Number 703344

700 Ridge Road
Munster, Indiana 46321-1612

Office of the Comptroller of the Currency

2001 Butterfield Road
Downers Grove, Illinois 60515

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Scope of Examination

We evaluated the Community Reinvestment Act (CRA) performance of Citizens Financial Bank (CFB) using the Intermediate Small Bank (ISB) procedures. Previously, the bank was evaluated as a Large bank; however, the bank's total asset size met the threshold of Intermediate Small banks during the previous two calendar year-ends. The Intermediate small examination procedures include two tests, a lending test and a community development (CD) test. We evaluated CFB's performance under both tests to derive an overall CRA rating for the bank.

The evaluation period for this CRA exam covers from the start date of the last evaluation, August 11, 2008, to the start of this evaluation, May 7, 2012. The CD test will evaluate activity (CD loans, qualified investments and CD services) over this entire period. Our review of investments included an analysis of the investment portfolio, and grants or donations to organizations that have community development as their primary purpose. Our evaluation of bank services included analyzing the bank's branch and ATM network for the availability and effectiveness of delivering retail banking services. We analyzed the effect of changes in branch locations since August 11, 2008. We also considered the extent of the bank's community development activities in meeting the credit needs of its Assessment Areas (AAs).

The lending test will use a sampling period from January 1, 2009 to December 31, 2011. Loans to Small Farms and Multi-family loans were not evaluated because these loans are a small percentage of the bank's loans. As part of this CRA evaluation, we tested a representative sample of the bank's publicly filed data on home mortgage loans for accuracy in accordance with the Home Mortgage Disclosure Act (HMDA). We also reviewed the accuracy of small business loan data. We found this data was reliable. Due to its reliability, data reported on home mortgage and small business loans was used to assess the bank's lending performance under the Community Reinvestment Act.

Description of Institution

Citizens Financial Bank is a full service, federally chartered, stock owned savings association headquartered in Munster, Indiana with total assets of approximately \$1.2 billion, as of March 31, 2012. CFB is wholly-owned by CFS Bancorp, Inc., a one-bank holding company.

CFB is an interstate bank with a total of 20 banking centers. 12 offices are located in Indiana and 8 offices are located in Illinois. Both states are in the Chicago-Joliet-Naperville, IL-IN-WI Metropolitan Statistical Area (MSA). The majority of its loans and deposits are concentrated in Indiana. Some of the communities served by the Indiana offices are: Crown Point, Dyer, East Chicago, Hammond, Merrillville, Munster, Schererville, and Valparaiso. Some of the communities served by the Illinois offices are: Flossmoor, Harvey, Bolingbrook, Hegewisch, Palos Heights, Tinley Park, Darien, Orland Park, South Holland and Willowbrook. Automated teller machines (ATMs) are available at all locations including the main office. CFB offers ATM cards that allow access to a nationwide network of terminals. Drive-up facilities are located at 18 of the 20 offices.

Since CFB's prior CRA evaluation as of August 11, 2008, the bank has opened, closed or relocated 4 offices. CFB opened an office in St. John, Indiana on September 14, 2009. During 2010, CFB relocated an office in Harvey, Illinois due to an expiring lease; the office remained in the same low-income geography. CFB closed 2 offices in Illinois on March 31, 2012, one in Orland Park and one in Bolingbrook; both locations were in upper-income geographies.

As of March 31, 2012, CFB reported approximately \$706 million in total loans, \$1 billion in total deposits and \$94 million of Tier One Capital. Total loans represented 60 percent of total assets. The composition of the bank's loan portfolio was allocated as follows: \$597 million, or 84 percent real estate loans, of which \$323 million, or 45 percent are residential, \$78 million or 11 percent commercial and industrial loans, \$26.6 million or 3.8 percent construction/land development and \$6.2 million or 1 percent in consumer and other loans. Primary loan products analyzed during this evaluation are reported HMDA loans and reported small business loans. There are no financial or legal impediments that affect the bank's ability to provide lending, investments, and services to its assessment area.

CFB provides customer driven financial solutions to small and middle market businesses, as well as individuals who work and live in the communities where the bank has locations. CFB offers an array of commercial and personal banking services, including a variety of savings and deposit products along with electronic banking services.

CFB's previous CRA rating was Satisfactory, as of August 11, 2008, using Large Bank CRA evaluation procedures.

Selection of Areas for Full-Scope Review

We performed a full scope review of the bank's two assessment areas within the Chicago-Joliet-Naperville, IL-IN-WI MSA. One AA is in Indiana and the other is in Illinois. Refer to the "Scope of Evaluation in the Chicago-Joliet-Naperville, IL-IN-WI

MSA” section under the Multistate Metropolitan Area Rating section for details regarding how the areas were selected.

Ratings

The multistate metropolitan area rating and the bank’s overall rating is a blend of performance in the bank’s two AAs within the MSA that received full scope reviews. Performance in Indiana is weighed more heavily in arriving at our overall conclusions due to the higher percentage of deposits and loans generated in the Indiana AA.

Conclusions with Respect to Performance Criteria

The loan-to-deposit ratio and the in/out ratio are based on bank-wide data.

Loan-to-Deposit Ratio

CFB’s loan to deposit ratio (LTD) is reasonable. CFB’s LTD ratio as of March 31, 2012 is 68.65 percent as stated in the Uniform Bank Performance Report (UBPR). CFB’s average LTD ratio over the last fifteen quarters from September 30, 2008 to March 31, 2012 is 79.36 percent. For the same period, the average loan to deposit ratio for other banks in CFB’s asset range (greater than \$500 million but less than \$1.5 billion) was approximately the same (79.35 percent). We found the bank’s performance was satisfactory after reviewing this information and considering the bank’s resources and capacity to lend, as well as the demographics and economic factors in the AA.

Lending in Assessment Area

A majority of all loans originated by CFB are to customers within its AA. CFB’s lending to customers within the AA for all loan types is **Satisfactory**. The following table details lending within the AA based on the number and dollar volume of loans originated during the evaluation period.

Loans Originated within the Assessment Area

• Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Home Mortgage Loans	463	77%	139	23%	602	\$80,884	64%	\$46,237	36%	\$127,121
Small Loans to Businesses	381	77%	117	23%	498	\$82,382	73%	\$30,733	27%	\$113,115
Totals	844	77%	256	23%	1100	\$163,266	68%	\$76,970	32%	\$240,236

Source: HMDA LAR and Bank records on small business loans originated or purchased in 2009, 2010, and 2011.

Fair Lending or Other Illegal Credit Practices Review

Citizens Financial Bank was randomly chosen for a Fair Lending examination through the OCC's risk based process for reviewing compliance with Fair Lending laws.

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

Multistate Metropolitan Area Rating

Chicago-Joliet-Naperville, IL-IN-WI MSA

CRA Rating for the Chicago-Joliet-Naperville, IL-IN-WI MSA, including Indiana and Illinois¹: Satisfactory.

The Lending test is rated: Satisfactory

The Community development test is rated: Satisfactory.

- The borrower distribution of loans to individuals of different income levels and businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA's, including low- and moderate-income geographies.
- Community development (CD) activities in the AAs are reasonable. Responsiveness to CD needs of the AAs through CD lending, investments and services is adequate.
- There were no consumer complaints regarding the bank's CRA performance.

**Note: The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to the multistate metropolitan areas.*

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CHICAGO-JOLIET-NAPERVILLE, IL-IN-WI MSA

According to the US Census, the Chicago-Joliet-Naperville, IL-IN-WI MSA is the third largest MSA by population in the United States with a population of 10,055,638 (2009 estimate). The MSA is divided into the three metropolitan districts (MD) listed below. The bank has branches in the Chicago-Joliet-Naperville, IL MD and the Gary, IN MD.

- Chicago-Joliet-Naperville, IL MD, with the counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry and Will;
- Gary, IN MD, with the counties of Lake, Porter, Jasper and Newton;
- Lake County-Kenosha County, IL-WI MD, with the counties of Lake (IL) and Kenosha (WI).

¹This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

SCOPE OF EVALUATION IN THE CHICAGO-JOLIET-NAPERVILLE, IL-IN-WI MSA

We reviewed portions of the Chicago-Joliet-Naperville, IL MD and the Gary, IN MD as two separate AAs. Each AA received a full-scope review to assess the bank's performance. Performance in the Indiana AA was weighed more heavily in arriving at our overall conclusions due to the higher percentage of deposits and loans generated in the Indiana AA.

We performed two community contacts by phone. Both contacts are active within the MSA and the communities the bank serves. Our contacts indicated that the economies are still slow but some signs of improvement are present. The need for home mortgage loan modifications and small business start up loans to replace businesses that closed due to the economic downturn is needed. Another need is grants and donations for the many nonprofit organizations that relied on government assistance and donations to help the poor and unemployed. Government assistance is not as readily available as before the economic downturn and the need is greater from the communities than ever before. The banks have been very co-operative and engaged in the financial literacy program the local college has had for some time. Banks provide funding for supplies and provide bankers to go to the schools to teach financial literacy to students (primarily to low- and moderate-income areas).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE CHICAGO-JOLIET-NAPERVILLE, IL-IN-WI MSA

CFB's performance in the Chicago-Joliet-Naperville, IL-IN-WI MSA is satisfactory. Lending test performance was satisfactory in both the Indiana and Illinois AAs and the bank's community development activities meet standards.

Indiana AA

CFB's AA in Indiana consists of 128 of the 148 contiguous geographies in the Gary, IN MD (23844). The AA encompasses the majority of the geographies in Lake and Porter Counties. Major cities and towns in the FSA's AA are Gary, Hammond, East Chicago, Merrillville, Portage, Crown Pointe and Valparaiso. The following table outlines demographic information about the Indiana AA.

Demographic Information for Full Scope Area: Citizens Indiana AA Lake and Porter Counties – Gary, IN MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	128	10.94	28.91	38.28	21.88	0.00
Population by Geography	590,866	4.67	24.74	42.35	28.25	0.00
Owner-Occupied Housing by Geography	154,684	2.19	20.21	44.01	33.58	0.00
Business by Geography	34,357	4.00	14.89	42.75	38.35	0.00
Farms by Geography	584	1.37	7.71	39.55	51.37	0.00
Family Distribution by Income Level	156,163	20.85	17.83	22.74	38.58	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	60,398	8.35	36.05	39.01	16.59	0.00
Median Family Income		52,518	Median Housing Value		99,958	
HUD Adjusted Median Family Income for 2011		65,200	Unemployment Rate (US Dept. of Labor)		9%	
Families Below Poverty Level*		8.68%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI

The Indiana AA has 14 low-income geographies, 37 moderate-income geographies, 49 middle-income geographies and 28 upper-income geographies. The table above shows that 4.67 percent of the total population in this AA are low-income and 24.74 percent of the population are moderate-income. Additionally, the table shows that families below poverty level is high at 8.68 percent. The HUD adjusted median family income for 2011 is \$65,200. A high unemployment rate of 9 percent and a high poverty level of 11 percent make it difficult for low- and moderate-income individuals or families to obtain home mortgage loans. The local economy has been dependent upon the steel industry for major employment opportunities, however over the years the AA has experienced significant job losses due to competition and technology changes. The local economy is unstable as evidenced by the high unemployment and foreclosures.

Illinois AA

CFB's AA in Illinois consists of 220 of the 1,762 contiguous geographies in the Chicago-Joliet-Naperville, IL MD (16974). The AA encompasses portions of Cook, DuPage and Will Counties; all 3 counties are contiguous. Major cities and towns in the bank's AA are Flossmoor, Harvey, Bolingbrook, Hegewisch, Palos Heights, Tinley Park, Darien, Orland Park, South Holland and Willowbrook. The following table outlines demographic information about CFB's Illinois AA.

Demographic Information for Full Scope Area: Citizens Illinois AA - Chicago-Joliet-Naperville, IL MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	220	3.18	17.27	53.18	26.36	0.00
Population by Geography	1,194,268	1.96	14.05	50.05	33.94	0.00
Owner-Occupied Housing by Geography	337,863	0.90	11.35	51.32	36.43	0.00
Business by Geography	64,988	1.49	10.54	46.14	41.83	0.00
Farms by Geography	1,071	1.87	10.18	43.23	44.72	0.00
Family Distribution by Income Level	313,107	15.46	16.98	23.81	43.75	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	101,572	3.88	23.27	55.02	17.83	0.00
Median Family Income		60,166	Median Housing Value		148,671	
HUD Adjusted Median Family Income for 2011		76,200	Unemployment Rate (2000 US Census)		8.63% Average; US Dept. of Labor, current	
Families Below Poverty Level		4.8%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2011 HUD updated MFI and US Department of Labor.

The Illinois AA has 7 low-income geographies, 38 moderate-income geographies, 117 middle-income geographies and 58 upper-income geographies. The table above shows that 1.96 percent of the total population in this AA are low-income and 14.05 percent of the population are moderate-income. Additionally, the table shows that households below poverty level are moderate at 4.8 percent. The HUD adjusted median family income for 2011 is \$76,200. A high unemployment rate of nearly 9 percent and almost 5 percent poverty level make it difficult for low- and moderate-income individuals or families to obtain home mortgage loans.

LENDING TEST

The bank's performance under the lending test in the Chicago-Joliet-Naperville, IL-IN-WI MSA is rated Satisfactory.

- The borrower distribution of loans to individuals of different income levels and businesses of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs, including low- and moderate-income geographies.
- Community development activities in the AAs are reasonable. Responsiveness to CD needs of the AA through CD lending, investments and services is adequate.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Home Mortgage Loans

The borrower distribution of CFB's home mortgage loans reflects reasonable distribution among all borrowers in the Indiana and Illinois AAs. Based on borrower distribution and demographic information, home mortgage loan opportunities for families in the AAs are somewhat limited.

Our evaluation focuses on the bank's lending performance to low- and moderate-income borrowers relative to the level of low- and moderate-income families within the AAs as well as comparison to CFB's peers. Analysis of the borrower distribution of home improvement loans would have no meaning as CFB made very few of these type of loans in either AA.

Borrower Distribution of Residential Real Estate Loans in Indiana AA												
Gary, IN MD												
<i>Borrower Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>					
<i>Loan Type</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>Aggregate HMDA Lending by Tract Income</i>			
									<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>
<i>Home Purchase</i>	20.85	12.50	17.83	17.86	22.74	19.64	38.58	50.00	14.76	28.66	29.35	27.23
<i>Refinance</i>	20.85	10.98	17.83	17.48	22.74	25.20	38.58	46.34	7.33	18.26	28.77	45.63

Indiana AA

Approximately 21 percent of the families in the Indiana AA are low-income and 17.83 percent are moderate-income. Additionally 8.68 percent of families in the AA are living below poverty level and unemployment in the AA is high at 9 percent, making home ownership difficult for low-income and moderate-income borrowers.

The borrower distribution of home purchase loans in the Indiana AA is reasonable. The distribution of home purchase loans to low-income borrowers is below the percentage of low-income families living in the AA. Performance context information above mitigates this data. The distribution of home purchase loans to moderate-income borrowers meets the percentage of moderate-income families living in the Indiana AA. The bank is below its peers in the percentage of home purchase loans made to low- and moderate- income borrowers.

The borrower distribution of home refinance loans in the Indiana AA is reasonable. The distribution of home refinance loans to low-income borrowers is below the percentage of low-income families living in the Indiana AA. Performance context information above mitigates this data. The distribution of home refinance loans to moderate-income borrowers meets the percentage of moderate-income families living in the Indiana AA. The bank's distribution of home refinance loans in both low and

moderate-income borrower category compares favorably to their peer data.

Borrower Distribution of Residential Real Estate Loans in Illinois AA Chicago-Joliet-Naperville, IL MD												
Borrower Income Level	Low		Moderate		Middle		Upper					
<i>Loan Type</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>% of AA Families</i>	<i>% of Number of Loans</i>	<i>Aggregate HMDA Lending by Tract Income</i>			
									<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>
<i>Home Purchase</i>	15.46	16.67	16.98	16.67	23.81	16.67	43.75	50.00	13.12	30.80	24.87	31.21
<i>Refinance</i>	15.46	14.49	16.98	11.59	23.81	28.99	43.75	44.93	4.70	13.47	25.10	56.73

Illinois AA

Approximately 15 percent of the families in the Illinois AA are low-income and 17 percent are moderate-income. Additionally almost 5 percent of families in the AA are living below poverty level and unemployment is high at 9 percent, making home ownership difficult for low-income and moderate-income borrowers.

The borrower distribution of home purchase loans in the Illinois AA is more than reasonable. The distribution of home purchase loans to low-income borrowers exceeds the percentage of low-income families living in the Illinois AA. The distribution of home purchase loans to moderate-income borrowers meets the percentage of moderate-income families living in the Illinois AA. The bank is above its peers in the percentage of home purchase loans made to low-income borrowers and below its peers in the percentage of home purchase loans made to moderate-income borrowers.

The borrower distribution of home refinance loans in the Illinois AA is reasonable. The distribution of home refinance loans to low-income borrowers is below the percentage of low-income families living in the Illinois AA. Performance context information above mitigates this data. The distribution of home refinance loans to moderate-income borrowers is below the percentage of moderate-income families living in the Illinois AA. The bank's distribution of home refinance loans to low-income borrowers greatly exceeds that of its peers and moderate-income borrower category is below its peers.

Business Loans

The borrower distribution of business loans reflects reasonable penetration among businesses of different sizes in the Indiana and Illinois AAs.

Borrower Distribution of Loans to Businesses in Indiana AA Gary, IN MD				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	76.69%	23.31%	0.00%	100%
% of Bank Loans in AA by #	66%	34%	0.00%	100%
% of Bank Loans in AA by \$	67%	33%	0.00%	100%

Indiana AA

The borrower distribution of small business loans in the Indiana AA is reasonable. The distribution of loans to businesses with less than \$1 million in gross annual revenues is below the percentage of small businesses in the AA. This level is not significantly lower than the AA demographic comparator; therefore, it still meets the standard for satisfactory performance.

Borrower Distribution of Loans to Businesses in Illinois AA Chicago-Joliet-Naperville, IL MD				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78.39%	21.61%	0.00%	100%
% of Bank Loans in AA by #	64.12%	35.88%	0.00%	100%
% of Bank Loans in AA by \$	34.00%	66.00%	0.00%	100%

Illinois AA

The borrower distribution of small business loans in the Illinois AA is reasonable. The distribution of loans to businesses with less than \$1 million in gross annual revenues is below the percentage of small businesses in the AA by number and significantly lower by dollar. More reliance was placed on the percentage by number than dollar for this AA because the bank makes a large amount of small dollar loans to businesses. The bank originated 50 percent of its small business loans for amounts of \$100 thousand or less. Businesses with revenues less than \$1 million dollars usually have a greater need for smaller loans.

Geographic Distribution of Loans

Geographic distribution of CFB's home mortgage loans reflects reasonable dispersion among all geographies in the Indiana and Illinois AAs.

<i>Geographic Distribution of Residential Real Estate Loans in Indiana AA Gary, IN MD</i>												
<i>Geographic Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>					
<i>Assessment Area:</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>Aggregate HMDA Lending by Tract Income</i>			
<i>Indiana</i>									<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>
<i>Home Purchase</i>	2.19	0.00	20.21	9.52	44.01	25.40	33.58	65.08	0.24	7.30	46.36	46.09
<i>Refinance</i>	2.19	0.36	20.21	5.34	44.01	32.38	33.58	61.92	0.13	3.81	39.77	56.29

Indiana AA

CFB did not make any home purchase loans in low-income geographies. Given the demographics of the AA, this is reasonable as only 2 percent of housing is owner

occupied and presents very limited opportunity to make home mortgage loans. The distribution of home purchase loans in moderate-income geographies is below the demographics; however, their performance is greater than peer.

The borrower distribution of refinance loans in low-income geographies is below the demographics. This is reasonable as only 2 percent of housing is owner occupied. Performance context information above mitigates this data. The distribution of refinance loans in moderate-income geographies is also below the demographics; however, their performance is greater than peer for both low- and moderate-income geographies.

Geographic Distribution of Residential Real Estate Loans in Illinois AA												
Chicago-Joliet-Naperville, IL MD												
<i>Geographic Income Level</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>					
<i>Assessment Area: Illinois</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>% of OOC Units</i>	<i>% of Number of Loans</i>	<i>Aggregate HMDA Lending by Tract Income</i>			
									<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>
<i>Home Purchase</i>	.90	0.00	11.35	6.67	51.32	66.67	36.43	26.67	0.35	6.54	47.24	45.87
<i>Refinance</i>	.90	1.43	11.35	12.86	51.32	32.86	36.43	52.86	0.17	2.48	30.93	66.42

Illinois AA

CFB did not make any home purchase loans in low-income geographies. Given the demographics of the AA, this is reasonable as less than 1 percent of housing is owner occupied and presents very limited opportunity to make home mortgage loans. The bank's distribution of home purchase loans in moderate-income geographies is below the demographics; however, their performance is commensurate with peer.

The borrower distribution of refinance loans in low-income geographies exceeds the demographics and is greater than peer. The distribution of refinance loans in moderate-income geographies also exceeds the demographics and is greater than peer.

**Note: Analysis of the geographic distribution of home improvement loans would not be meaningful as CFB made very few of these loans in either AA.*

Geographic Distribution of Small Business Loans

Geographic distribution of small business loans is reasonable in the Indiana and Illinois AAs. Performance in the Indiana AA, which received greater weight, was more favorable than in the Illinois AA.

**Geographic Distribution of Small Business Loans in Indiana and Illinois AAs
Gary, IN MD and Chicago-Joliet-Naperville, IL MD**

Geographic Income Level	Low		Moderate		Middle		Upper		Aggregate Small Business Lending by Tract Income			
	% of Businesses	% of Number of Loans	% of Businesses	% of Number of Loans	% of Businesses	% of Number of Loans	% of Businesses	% of Number of Loans				
Indiana AA	4.00	1.20	14.89	14.40	42.75	44.00	38.35	40.40	2.23	10.34	42.09	45.34
Illinois AA	1.49	1.53	10.54	6.11	46.14	55.73	41.83	36.64	2.31	11.79	35.60	50.31

Indiana AA

The geographic distribution of small business loans in the Indiana AA is reasonable. The distribution of loans to businesses with less than \$1 million in gross annual revenues is below the percentage of small businesses in the low-income geographies and is less than peer. This is reasonable, as only 4 percent of businesses are in low-income geographies and opportunities are limited. Geographic distribution of loans to small businesses in moderate-income geographies meets the percentage of small businesses in those geographies and is greater than peer.

Illinois AA

The geographic distribution of small business loans in the Illinois AA is reasonable. The distribution of loans to businesses with less than \$1 million in gross annual revenues meets the percentage of small businesses in the low-income geographies. Geographic distribution of loans to small businesses in moderate-income geographies is below the percentage of small businesses in those geographies. The bank’s performance is less than peer in both geographic income levels.

Responses to Complaints

There are no complaints related to the bank’s CRA performance in either AA.

COMMUNITY DEVELOPMENT TEST

The bank’s performance under the community development test in the Chicago-Joliet-Naperville, IL-IN-WI MSA is Satisfactory.

Number and Amount of Community Development Loans

The number and amount of qualified CD lending is reasonable.

Indiana AA

Community Development lending (CD) in the Indiana AA is adequate. CFB originated five loans that qualified as CD loans in Indiana during this evaluation period. All five CD loans (\$1.2 million) are for affordable housing, primarily in the Gary, Indiana area, as

well as in other low- and moderate-income geographies. The bank also made other loans with CD elements; however, those loans are reported as small loans to businesses.

Illinois AA

Community development lending in the Illinois AA is reasonable. During this evaluation period, the bank originated two CD loans totaling approximately \$2.2 million. One of the loans (\$744 thousand) is for 31 units of affordable rental housing in Harvey, Illinois. Residents have to show proof of qualifying income before signing a lease. The other is a \$1.5 million loan to an entity that is a general and weatherization contractor for low-income housing and partners with government related agencies such as CEDA. CEDA is the Community and Economic Development Association of Cook County, Illinois. CEDA's weatherization program aims to make homes more energy efficient for qualifying low-income clients in Chicago and suburban Cook County.

Number and Amount of Qualified Investments

The number and amount of qualified CD investments in the Chicago-Joliet-Naperville, IL-IN-WI MSA is reasonable.

Indiana AA

CFB made approximately \$256 thousand in qualified CD investments in the Indiana AA. The bank invested approximately \$208 thousand in the Neighborhood Improvement Program (NIP) through the FHLB of Indianapolis. The NIP's program assists existing homeowners with incomes at or below 80% of area median income (AMI) to rehabilitate their homes. The maximum subsidy per household is \$10,000 if the homeowner is receiving matching funds and \$7,500 if no matching funds are received from eligible sources. The bank also made a limited number of donations (approximately \$48 thousand) within the Indiana AA to organizations that have CD as their primary focus.

There are also \$653 thousand of prior period investments outstanding to organizations that meet the CD definition.

Illinois AA

The number and amount of qualified CD investments in Illinois is poor. There were eight CD donations made in the Illinois AA during this evaluation period for a total of \$3,600.

During the last CRA evaluation period, most of the bank's CD investments were made through contributions to the Chicago Equity Fund (CEF). CEF was a real estate investment fund that financed multi-family retail housing developments for low-to-moderate income individuals and families throughout Chicago. In 2006, the housing crisis began to have an adverse impact on CEF with several of their properties entering

into foreclosure. By 2007, CEF was acquired by Chicago-based National Equity Fund (NEF). Management did not continue this same relationship with NEF. In addition, management did not pursue other investment opportunities either.

Extent to Which the Bank Provides Community Development Services

The extent of qualified CD services, provided by the bank, is reasonable.

Indiana AA

Several bank employees provide financial expertise such as fund raising assistance, accounting help, and budgeting to organizations that have a CD purpose. Listed below are some examples.

- A bank officer serves on the board of an organization whose purpose is to serve the poor and needy through an agency that would meet the professional standards of Social Work. Through the early years of this charitable organization the emphasis was on child welfare services. As a board member, this officer provides financial expertise in the area of budgeting and fundraising.
- A bank officer serves as Co-Chairman on a housing task force that partners with a local economic development department and a reinvestment alliance to identify and assess housing and financial needs facing residents of the community. The Officer provides financial expertise by participating in workshops that inform the community about available housing and financing programs.
- A bank officer serves on the Board of Directors of a local college where 72 percent of the student body is from low- or moderate-income families. Financial expertise provided by the bank officer is budgeting and preparation of financial statements.
- CFB participates in the Bank On program in Indiana and Illinois. The purpose of the Bank On initiative is to connect people who are unbanked with mainstream financial services including affordable checking, savings, and financial education opportunities for which they might not otherwise qualify. The bank is committed to this program 12 months at a time.

The bank's branch network facilitates providing financial services to low- or moderate-income individuals. Of the 12 full-service branch locations in the Indiana AA, two of them are located in low- or moderate-income geographies. In addition, there are 3 ATM locations in low- or moderate-income geographies, one at each office and one stand-alone unit.

Illinois AA

During this evaluation period, branch staff conducted financial literacy classes for

young adults, adults and small businesses in the Harvey, Illinois area. Attendance was good with 185 participants. Harvey, Illinois is a low- and moderate-income area in the south-west suburbs of Chicago, Illinois.

The bank's branch network in the Illinois AA is more limited in facilitating financial services to low- or moderate-income individuals. Of the 8 branch locations in the Illinois AA, one is located in a low-income geography. The branch also has an ATM unit on-site.

Responsiveness to Community Development Needs

CFB's community development performance demonstrates reasonable responsiveness to the community development needs of the Indiana and Illinois AAs.

Indiana AA

Responsiveness to community development needs in the Indiana AA is reasonable. The bank has taken advantage of opportunities to provide financial expertise, investments and loans to organizations within the AA that meet the definition of CD.

Illinois AA

Responsiveness to community development needs in the Illinois AA is reasonable. The bank has taken advantage of opportunities to provide financial expertise, investments and loans to organizations within the AA that meet the definition of CD.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: January 1, 2009 to December 31, 2011 Community Development Test: August 11, 2008 to May 7, 2012	
Financial Institution	Citizens Financial Bank (CFB), Munster, Indiana	
Products Reviewed	Home Mortgage Loans, Small Business Loans, Community Development Loans (CD), CD Investments, CD Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
<i>No Affiliates</i>		NA
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Indiana AA, Gary, IN MD # 23844	Full Scope	
Illinois AA, Chicago-Joliet-Naperville, IL MD # 16974	Full Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/MMSA Rating
CITIZENS FINANCIAL BANK	Satisfactory	Satisfactory	Satisfactory
CHICAGO-JOLIET-NAPERVILLE, IL-IN-WI MSA	Satisfactory	Satisfactory	Satisfactory