



PUBLIC DISCLOSURE

July 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Citizens Bank-Illinois, National Association
Charter Number: 14596**

**3322 Oak Park Avenue
Berwyn, Illinois 60402**

**Comptroller of the Currency
Chicago-North Field Office
85 W. Algonquin, Suite 340
Arlington Heights, Illinois 60005**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Citizens Bank-Illinois, National Association** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **March 31, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated: **“Satisfactory record of meeting community credit needs.”**

The following table indicates the performance level of **Citizens Bank-Illinois, N.A.** with respect to the lending, investment and service tests.

Performance Levels	Citizens Bank-Illinois, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X		
Low satisfactory			X
Needs to improve		X	
Substantial noncompliance			

*Note: The lending test is weighted more heavily than the investment and service test when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Citizens Bank-Illinois, National Association (CBI) is a \$252 million community bank headquartered in Berwyn, Illinois. It is a wholly owned subsidiary of Citizens Banking Corporation (CBC), a multibank holding company incorporated in the State of Michigan. CBC is also the parent corporation of Citizens Bank (CB), a \$4.2 billion banking institution based in Flint, Michigan. The corporation's subsidiary banks are full service commercial banks offering a variety of financial services. The Michigan subsidiary bank has branch offices and automatic teller machines (ATMs) located throughout several greater metropolitan Michigan areas, including: Flint, Royal Oak, Midland, Bay City, Jackson, Saginaw, Lansing, Grayling, Graylord, Standish, Ypsilanti, Sturgis and Fenton.

CBI has one full service branch in suburban Cicero, Illinois and two financial service centers in Elk Grove and Willow Springs, Illinois. Thirteen ATMs supplement Illinois branch locations. Ten ATMs are standalone units in Berwyn and neighboring communities. No branches have been closed since our last CRA performance review, November 1995.

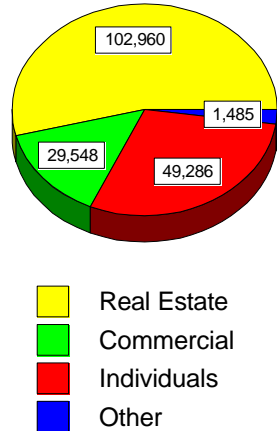
CBI offers a wide range of mortgage products, including: Farmers Home Administration Guarantee, Community Home Buyer's Program, Key to Home Ownership and FHA/VA guaranteed loans. Mortgage loans are originated for Citizens' portfolio and for sale to other financial institutions. CBI has historically focused on consumer products. Individual loans are available for an array of consumer and personal purposes (i.e., automobile, boat, education, credit card and unsecured home equity loans). During the evaluation period the bank purchased a significant amount of instalment loan paper from local auto dealers. Commercial loans are made to small businesses directly and through the SBA for various business purposes. However, multi-family and community development lending is limited. In 1998, CBI negotiated to increase an existing line of credit to a community development corporation in Berwyn, Illinois.

This evaluation considered the bank's performance since the last examination, dated November 30, 1995, at which time the bank received a "Satisfactory" rating. The current evaluation reflects performance from January 1, 1996 thru March 31, 1998.

There are no current impediments that would hamper CBI's ability to meet the credit needs of its communities. For the year ending December 31, 1997, CBI had net income of \$2.4 million. As of March 31, 1998, net income was \$556 thousand and the loan-to-deposit ratio was 86%. Loans represent 76% of total assets and real estate secured loans represent more than 55% of gross loans. **Figure 1** displays the distribution of the loan portfolio as of March 31, 1998:

Loan Portfolio Distribution

Figure 1 (000's)



DESCRIPTION OF THE ASSESSMENT AREA

The assessment area for CBI contains 204 contiguous census tracts (CT) in the Chicago Metropolitan Statistical Area (MSA 1600). One hundred fifty-one (151) census tracts are in the political subdivision of Cook County. The remaining 53 census tracts are in the political subdivision of DuPage County. Communities within the assessment area include portions of the City of Chicago, the entire communities of Berwyn, Cicero, Riverside, Proviso, Oak Park, River Forest, Leyden, Elk Grove, Lyons and Stickney in Cook County. In DuPage County the assessment area includes the communities of Addison, York and Downers Grove. This assessment area includes census tracts where the bank has a branch and where adequate portions of the bank's loans were originated.

Table 1 Assessment Area					
Demographic Characteristics	Total #	Low #	Moderate #	Middle #	Upper #
Census Tracts*	204	1	22	126	52
Low income families	35,546	571	6,721	23,191	5,063
Minority Population	185,252	4,280	48,536	106,742	25,694

* Three census tracts or 1.47% are designated NA by 1990 census data information.
Note: The information presented in this table is based on 1990 census data.

Per 1990 census data, **Table 2** displays significant demographic information regarding Citizens Bank-Illinois' assessment area:

Table 2 Demographic Information					
Demographic Characteristics	Total #	Percent of Totals			
		Low	Moderate	Middle	Upper
Population	1,001,502	>1%	9%	61%	29%
Households	372,829	>1%	8%	62%	29%
Households Below Poverty Level	19,191	2%	23%	62%	13 %
Owner Occupied Housing	261,480	>1%	6%	60%	33%
Small Businesses	41,974	0%	8%	55%	37%

*Three census tracts or 1.47% are designated NA by 1990 census tract information.

Note: The demographic information presented in this table is based on census tracts. The number of households below the poverty level for each income level is as a percentage of the total number of households.

The weighted average family income for the assessment area is \$47,894 according to 1990 census data. Median family income, which the Department of Housing and Urban Development updates annually, is \$55,800 for 1997.

There are 266,456 families within the bank's assessment area. Thirteen percent of families are low income (income less than 50% of the census tract median income) and 17.9% of families are moderate income (income is 50-80% of the census tract median). The median housing value is \$122,960. The median year built of housing in the assessment area is 1956, which is newer than the median year built for all housing units in Chicago, of 1939.

The economy for the assessment area is mature and stable. The employment base is largely service and retail oriented. Many corporations operate within the assessment area. Nineteen percent of businesses within the area are sole proprietorships and very small. More than 57% percent of businesses have less than four employees. The unemployment rate is 2.51% for the assessment area, compared to 5.7% for the City of Chicago, and 4.7% for the national average as of July 1998.

Competition between banks within the assessment area is steep. The bank competes actively with other financial service providers, offering a wide array of financial products and services. Competitors include other national and state banks, savings and loan associations, finance companies, credit unions, home mortgage companies and various nonfinancial intermediaries.

CBI's overall performance was compared with thirteen similarly situated banks for the assessment area. The banks include Success National Bank, Oak Brook Terrace Bank, LaSalle Bank and Albany Bank and Trust Company. These banks range from \$100 million to \$900 million in assets and serve a similar market area and offer comparable consumer products.

Significant credit needs include small business loans for business expansion and multi-family property acquisition and rehabilitation. Other needs included home improvement financing, low down payment mortgage programs and used car loans on extended terms. These needs were identified through several community contacts with economic development and government representatives contacted by banking regulatory agencies within the past 24 months.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LENDING TEST

The lending test is the most influential consideration in evaluating the bank's CRA performance. We consider the bank's origination of credit within its assessment area; the extension of credit to low- and moderate-income areas within the assessment area; the level of credit provided to low- and moderate-income borrowers and small businesses and farms, and credit provided for community development. Overall, our review found the Citizens Bank-Illinois, N.A.'s lending activity demonstrates:

- good lending activity;
- reasonable responsiveness to credit needs in its assessment area;
- a reasonable level of loans to low- and moderate-income geographies within the assessment area;
- good percentage of loans made within the assessment area; and
- a reasonable distribution of loans among borrowers of different income levels.

Performance Criteria:

Lending Activity

CBI's overall lending volume is good. As of March 31, 1998, the loan-to-deposit ratio was 86%. This ratio is better than the 70% average of similarly situated banks. CBI's loan-to-deposit ratio reflects the bank's willingness to extend credit. For purposes of conducting the lending test, we conducted an analysis of 1996 and 1997 loan originations: Home Mortgage Disclosure Act (HMDA) reportable loans, small business loans, and community development loans. In addition, because home equity lines of credit comprised a significant volume of loans originated during our assessment period, we also analyzed these originations. Due to the urban environment in which the bank is located, they reported no small farm loans.

As shown in **Tables 3 and 4**, the bank is not a significant purchase money home mortgage lender. In 1996, home purchase loans represented 16% of HMDA loans originated. Purchase money mortgage lending increased between 1996 and 1997. They attribute the increase to the addition of qualified lending staff in the Berwyn market area during 1997. In 1997, refinance originations led with 45%, home purchases were 33% and home improvement loans represented 22% of loans originated. Lending competition is vigorous due from the number of larger regional banks and

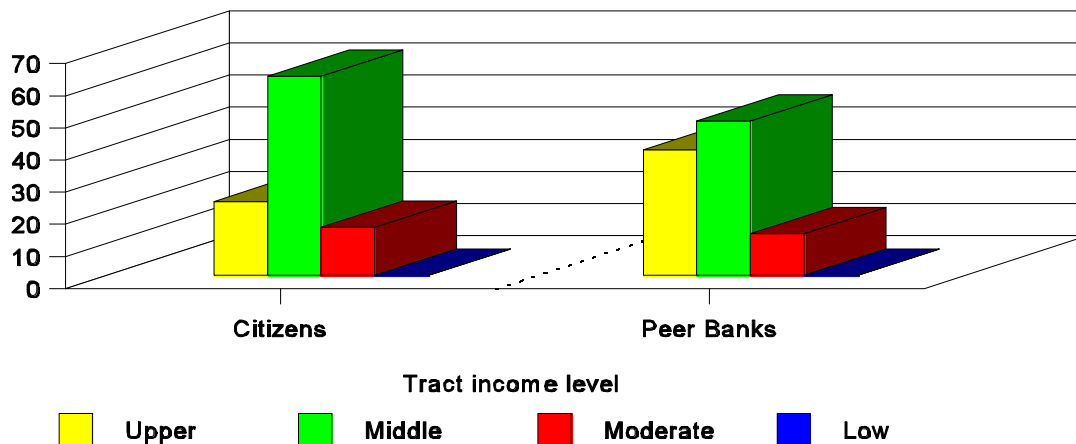
mortgage companies who compete in CBI's assessment area. The significant rental market also contributes to the moderate volume of home loan originations.

Table 3 Geographic Distribution of Mortgage Products by Applicant Income									
Income Level of Applicant	Combined 1996 & 1997								Assessment Area Characteristics
	Home Purchase		Refinance		Home Improvement		Total		% of Income Families
	#	%	#	%	#	%	#	%	
Low	2	6%	1	2%	6	16%	9	7%	13%
Moderate	8	25%	12	19%	12	32%	32	24%	18%
Middle	7	22%	26	41%	9	24%	42	32%	27%
Upper	14	44%	22	35%	10	27%	46	35%	42%
N/A	1	3%	2	3%	0	0%	3	2%	N/A
Total	32	100%	63	100%	37	100%	132	100%	100%

Figure 2 displays the distribution of loan originations by census tract for 1996 for Citizens Bank-IL compared with the custom peer banks:

Distribution of Loans by Census Tract

Figure 2



Citizens Bank's originations exceed peer bank originations in middle income census tracts with 62% compared to peer banks with 48% of total originations for 1996. Originations in middle income census tracts exceed the percent volume of owner-occupied units within middle income census tracts, 60%.

CBI originated most of its mortgage and small business loans to borrowers inside the bank's assessment area. As of March 30, 1998, loans to individuals represented more than 30% of CBI's loan portfolio, and 24% of the portfolio are for residential real estate purposes. As shown in **Table 4**, the level of loans originated within the assessment area is reasonable.

Table 4 Loan Originated Inside the Assessment Area			
	Home Mortgage	Small Business	Total
Number			
Loans Inside the Assessment Area	132	140	272
Total # of Loans	249	269	518
% Inside the Assessment Area	53%	52%	53%
Dollars (000's)			
Loans Inside the Assessment Area	\$12,811	\$15,789	\$28,600
Total \$ Amount of Loans	\$20,366	\$36,944	\$57,310
% Inside the Assessment Area	62%	43%	50%

Source: 1996 & 1997 HMDA-LAR; 1996 & 1997 Small Business/Farm Data Collection Register

Home equity lending, secured and unsecured for home improvement and non-home improvement purposes, represents a significant volume of loans originated by CBI. We noted an increase in the home equity loan portfolio to \$20 million from \$19 million, while the growth rate for the overall loan portfolio declined 11% between 1996 and 1997. CBI attributes home equity loan growth to consumer demand and to the bank's marketing efforts for this product.

CBI's origination of non-HMDA reportable home equity lines of credit also contribute to community credit needs. The bank originated 220 home equity lines of credit between 1996 and March 30, 1998. The penetration of in-market originations averages 75% over this period. However, no additional information is currently available to provide a comprehensive analysis of the contribution home equity lines of credit made to CBI's lending activity.

Geographic Distribution

The dispersion of lending within the assessment area is reasonable. Our analysis is based on the location of home loans and small business loans originated by the bank.

Home Mortgage Loans

The distribution of credit to low- and moderate-income census tracts is reasonable when compared to the owner-occupied characteristics of the assessment area. As previously noted, the assessment area contains only one low income census tract. We have no concerns with the lack of lending activity in low income census tracts given the lack of owner-occupied units there. **Table 5** shows that CBI originated 15% in 1996 and 6% in 1997, to moderate-income census tracts. The 1996 penetration in moderate income areas is good. The distribution in 1997 reasonably compares to the 6% of owner-occupied units in moderate-income geographies.

Table 5 Home Mortgage Loans by Income Level of Geography										
Income Level of Geography	1996				1997				Assessment Area Characteristics	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Owner-Occupied Units	Census Tract % of Geography
Low	0	0%	0	0%	0	0%	0	0%	>1%	>1%
Moderate	10	15%	350	6%	4	6%	135	2%	6%	11%
Middle	42	62%	2,043	32%	38	59%	2,367	36%	60%	62%
Upper	16	23%	3,931	62%	22	35%	3,985	62%	33%	26%
Total	68	100%	6,324	100%	64	100%	6,487	100%	100%	100%

Source: 1996 and 1997 HMDA-LAR. Only owner-occupied lending is reflected in this table.

The bank's market share for home mortgage lending is reasonable. CBI has an overall 0.16% market share for mortgage applicants in the state of Illinois. They are ranked number six among thirteen similarly situated banks with a 0.17% market share, for home mortgage loan applications within the assessment area. The bank is receiving a comparable share of loan applications.

Our analysis revealed no unusual lending gaps in assessment area geographies. No home mortgage loans were originated in low-income census tracts, for 1996 and 1997. Once again, this is not a concern, since the owner occupancy is particularly low in low-income census tracts, at 0.2%. This fact supports limited lending opportunities. Loan originations throughout the assessment area's moderate, middle and upper-income census tracts is reasonable. CBI has originated loans in 20% of the moderate, middle and upper-income geographies.

Small Business Loans

CBI originates a sufficient portion of small business loans in moderate-income areas. **Table 6**, below, reflects that the percentage of loans originated within moderate-income tracts is comparable to the small business assessment area characteristics for these census tracts.

Table 6 Small Loans to Businesses By Income Level of Geography									
Income Level of Geography	1996				1997				Small Business Assessment Area Characteristics
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	% of Geographies
Low	0	0%	0	0%	0	0%	0	0%	0%
Moderate	6	15%	294	12%	12	12%	633	5%	8%
Middle	25	64%	967	39%	62	61%	6,526	49%	55%
Upper	8	21%	1,243	49%	27	27%	6,126	46%	37%
Total	39	100%	2,504	100%	101	100%	13,285	100%	100%

Source: 1996 and 1997 Small Business Data Collection Register.

Borrower Characteristics

We evaluated loans by borrower characteristics to determine the extent that CBI provides loans to moderate-income borrowers and small businesses. This analysis revealed that the distribution of CBI's home mortgage loans to moderate-income borrowers is adequate when compared to the income distribution of the assessment area's population. The analyses also revealed that they provide reasonable levels of small loans to businesses with revenues less than \$1 million. The bank lends a considerable number of loans to businesses of varying sizes within the assessment area.

Home Mortgages

The distribution of home mortgage loans among borrowers of various income levels is considered adequate. **Table 7** reflects that in 1996 and 1997 the bank extended 6% and 8% loan originations to low-income borrowers within the assessment area, respectively. This distribution of loans is below the 13% of the area's families that are low-income. Alternatively, lending to moderate-income borrowers (25% and 23% in 1996 and 1997, respectively) exceeds the demographics of moderate-income families, 18%.

Table 7 Home Mortgage Loans by Borrower Income									
Borrower Income Distribution	1996				1997				Assessment Area Characteristics
	#	%	\$(000's)	%	#	%	\$(000's)	%	% of Families
Low	4	6%	91	1%	5	8%	101	2%	13%
Moderate	17	25%	645	10%	15	23%	791	12%	18%
Middle	24	35%	1,674	27%	18	28%	1,435	22%	26%
Upper	21	31%	3,785	60%	25	39%	4,004	62%	43%
Income Not Available	2	3%	129	2%	1	2%	156	2%	N/A
Total	68	100%	6,324	100%	64	100%	6,487	100%	100%

Source: 1996 and Year-to-date 1997 HMDA - LAR

Small Business Lending

A review of demographic data revealed that 66% of the 41,974 businesses in the assessment area have revenues less than \$1 million. The distribution of CBI's loans to small businesses show a reasonable level of lending to businesses having revenues less than one million dollars. We note significant small business loan growth between 1996 and 1997, when small business lending increased from 99 loans to 170 loans made.

Based on our review of 1996 and 1997 Small Business Data Collection Registers, CBI's distribution of small business loans to borrowers of varying sizes is significant. As presented in **Table 8**, 87% in 1996 and 61% in 1997 of small loans to small businesses fell in the less than \$100,000 category.

Table 8 Distribution of Small Business Loan Originations in 1996 and 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
1996	#	%	\$ (000's)	%	#	%	\$ (000's)	%
less than \$100,000	34	87%	\$1,451	58%				
\$100,000 to \$250,000	3	8%	\$385	15%				
\$250,000 to \$1,000,000	2	5%	\$668	27%				
Totals	39	100%	\$2,504	100%	25	100%	\$1,287	100%
1997								
less than \$100,000	62	61%	\$2,205	17%				
\$100,000 to \$250,000	24	24%	\$4,019	30%				
\$250,000 to \$1,000,000	15	15%	\$7,061	53%				
Totals	101	100%	\$13,285	100%	65	100%	\$5,587	100%
Distribution of Businesses in the Assessment Area by Annual Revenues of the Business:			< 1 Million	66%				
			> 1 Million	14%				
			Unknown	20%				

Source: 1996 and 1997 Small Business Data Collection Register.

INVESTMENT TEST

CBI has a poor level of qualified community development investments. CBI provided \$1,300 through cash, in-kind contributions and grants to organizations serving the low- and moderate-income residents of the assessment area.

SERVICE TEST

CBI's record of supporting their community through service-oriented activities is reasonable. This conclusion is based on the following:

- The distribution of branches, and the branch opening and closing record;
- The availability of loan and deposit products;
- Alternative delivery systems are available to the bank's customers; and
- The extent to which community development services are provided.

Office Locations

CBI has four branch locations and 13 automatic teller machines (ATMs) located within its assessment area. The head office, in the City of Berwyn, is in a middle-income census tract. The three remaining office facilities are located, one each, in upper, middle and moderate income census tracts. Three of the four office locations are equipped with 24-hour ATMs. Ten locations have stand alone ATMs: three in Berwyn, two in the City of Chicago and one each in Riverside, Cicero, Forest Park, Stickney and Oakbrook Terrace. CBI's hours are generally tailored to the needs of the surrounding area. The downtown Berwyn and Cicero office facilities maintain extended lobby hours on Friday, as well as Saturday hours. Two locations have drive-up facilities that offer extended hours.

Branch Opening and Closing Record

The bank has not opened or closed any branches since the last evaluation. However, the financial center in Willow Springs opened for business on October 20, 1997.

Table 9						
Distribution of Branches by Geography Served						
Income Level of Geography	ATMs		Branches		Assessment Area Characteristics	
	#	%	#	%	#	%
Low	0	0%	0	0%	1	<1%
Moderate	1	8%	1	25%	22	11%
Middle	9	69%	2	50%	126	62%
Upper	3	23%	1	25%	52	25%
N/A*	-	-	-	-	3	1%
Total	13	100%	4	100%	204	100%

* Not Applicable due to little or no population in the census tracts.

Availability of Loan and Deposit Products

Loan officers are at the head office. Lending authority is limited to consumer products and commercial loans less than \$500,000. They decide all other products at CB's corporate headquarters in Flint, MI. Products and services are available at all locations. Lenders will readily make appointments to meet with customers at agreed on locations. Products and services are offered in a consistent manner at branch offices in other segments of the community.

Alternative Delivery Systems

CBI's alternative delivery systems make services more accessible. In addition to the ATMs previously discussed, the bank offers a 24-hour telephone banking service at no charge. Customers can obtain account information on their checking and savings account and can also obtain rate information on certificates of deposits.

Community Development Services

Many bank employees offer community development services to organizations that have as their primary purpose economic development or revitalization and serve low- and moderate- income individuals. Their involvement is providing technical assistance, developing programs to provide lending and inform the community about credit and deposit products, sponsoring seminars and counseling programs on home ownership and starting small businesses. Detailed below are some of the programs and organizations.

- In February of 1997, the residential mortgage originator held a "First Time Home Buyers" seminar at the bank.
- The bank's senior loan officer serves as Treasurer for the Berwyn Development Corporation, a local community organization that works on various projects for the economic development of the City of Berwyn.
- An officer of the bank serves on the Board of Directors of the North Riverside Planning Commission within the assessment area. This organization works to create economic stability and promote business and residential growth in the community.
- Two officers of the bank attend West Suburban Chamber of Commerce committee meetings.

FAIR LENDING REVIEW

We conducted a fair lending examination to determine if all applicants that applied for home mortgage, home improvement and refinance loans were treated similarly. Specifically, we compared files of denied applicants of a prohibited basis group to approved loan applicants to make this determination. We found no evidence of discrimination.