



***Bancorp, Inc.***



**CITZ**<sup>TM</sup>  
**NASDAQ**  
L I S T E D



- This presentation contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to management. In addition, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “should” and similar expressions, or the negative thereof, as they relate to the Company or the Company’s management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, changes in circumstances and assumptions. Should one or more of these risks, uncertainties or changes in circumstances materialize or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected or intended. Forward – looking statements are not assurances of future results, performance or outcomes. The Company does not intend to update these forward-looking statements.



- We have a strong retail franchise and an emerging business banking operation located in one of the Country's premier markets for small and middle-market businesses
- We are a community-oriented financial institution which is well positioned to benefit from ongoing Chicago area market disruption due to:
  - Bank failures
  - Capital challenges and growth limitations
  - Mergers
  - Changes in large bank lending practices
- Capital base and liquidity allow us to pursue opportunities for high quality relationship-based loan growth
- Over the past few years, we have invested heavily in different aspects of our core franchise, including our physical (branch) delivery system, information technology infrastructure, retail and business banking personnel and brand positioning, and are poised to capitalize on that investment as the economy recovers



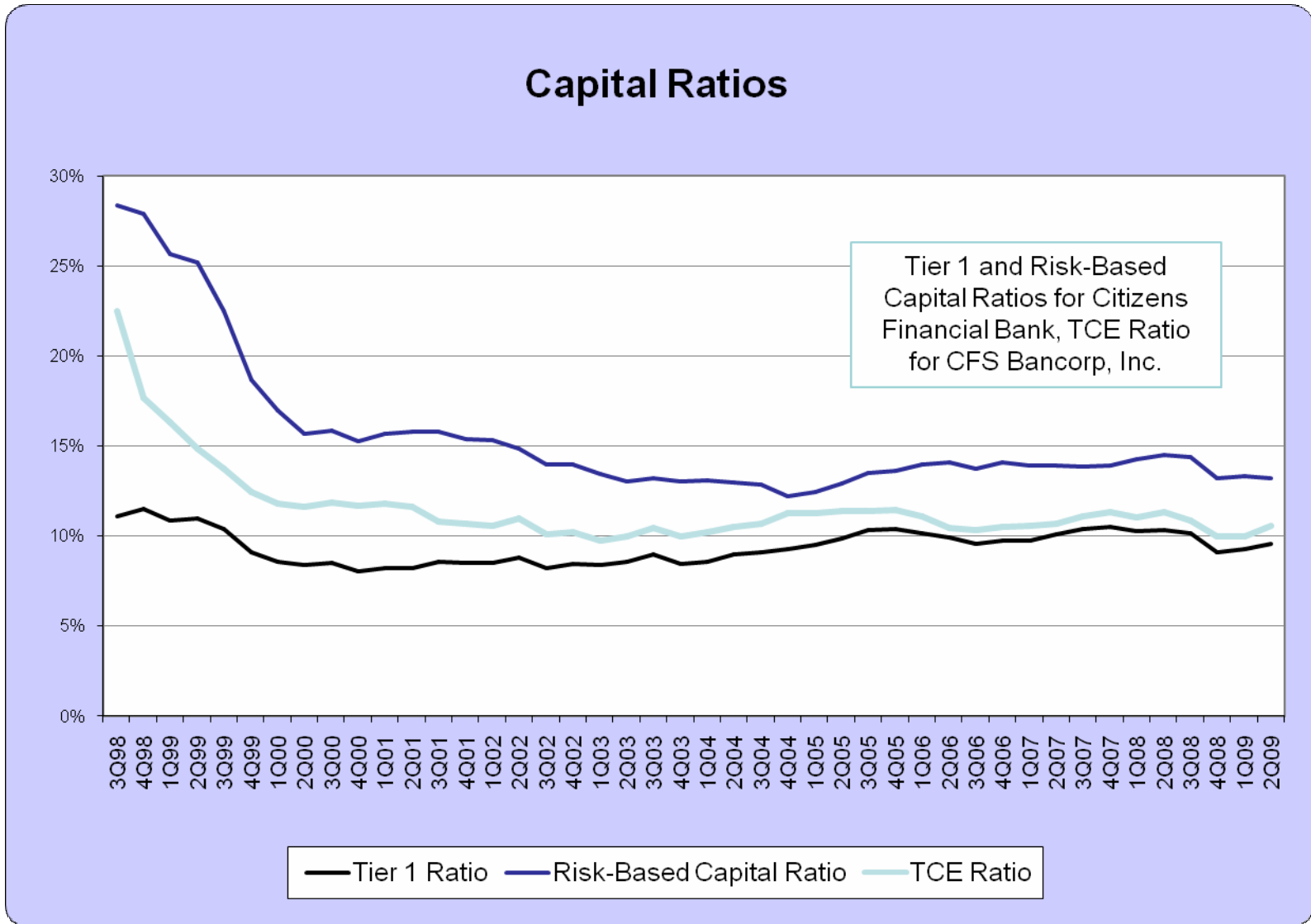
## **Bancorp, Inc. About CFS Bancorp, Inc.**

- CFS Bancorp, Inc is incorporated under the laws of the State of Indiana, headquartered in Munster, IN
- Company was formed in 1998 in conjunction with the conversion of its principal subsidiary from a mutual to a stock savings bank; Bank originally founded in 1934
- As of June 30, 2009, assets of \$1.1 billion and 318 (FTE) employees
- Operates a single subsidiary bank, Citizens Financial Bank, with 22 full service banking centers spread across five counties in Indiana (Porter, Lake) and Illinois (Will, Cook, DuPage), all of which are part of the Chicago metropolitan statistical area
  - Operations center located in Highland, IN (relocating to existing bank-owned facilities in 2009)





- Strong retail and emerging business banking franchise
- Legacy of returning excess capital to shareholders in the form of dividends and stock repurchases
  - From 1998 to mid-2008, repurchased nearly 60 percent of shares originally issued in public offering, totaling in excess of 12 million shares
- Experienced management team
  - Thomas Prisby, Chairman & CEO
  - Daryl Pomranke, President
  - Charles Cole, CFO
  - Dale Clapp, Executive VP, Business Banking
  - Daniel Zimmer, Sr. VP & Chief Credit Officer





In early 2008, we began executing our Strategic Growth and Diversification Plan, which has four key objectives:

**Decrease nonperforming loans**

The Company's delinquency rates and nonperforming loan ratios exceed that of its peers. This is partly attributable to the Company's prior utilization of syndications and participations to supplement the direct origination of its commercial loan portfolio. The utilization of participations to achieve commercial loan growth was ended when the Company adopted its relationship-based business banking strategy in mid-2007. Our last participation loan was originated in June, 2007. Commencing in 2007, and running through today, the Bank has experienced significant credit quality issues in this segment of the loan portfolio. Nonperforming loan ratios of direct origination loans are more in line with peers.

**Bring costs in line with our anticipated future asset base**

A significant proportion of the Company's investments in technology, people and brand positioning, impact the Company's earnings through the income statement as expenses. As a result, during a period of heavy investment (such as when the Company began to upgrade its retail delivery sales and service capabilities in 2007, or when it rapidly expanded its relationship-based business banking activities in early 2008), the Company's earning asset and income growth lags its expense growth.



### **Targeting small to mid-size business owners**

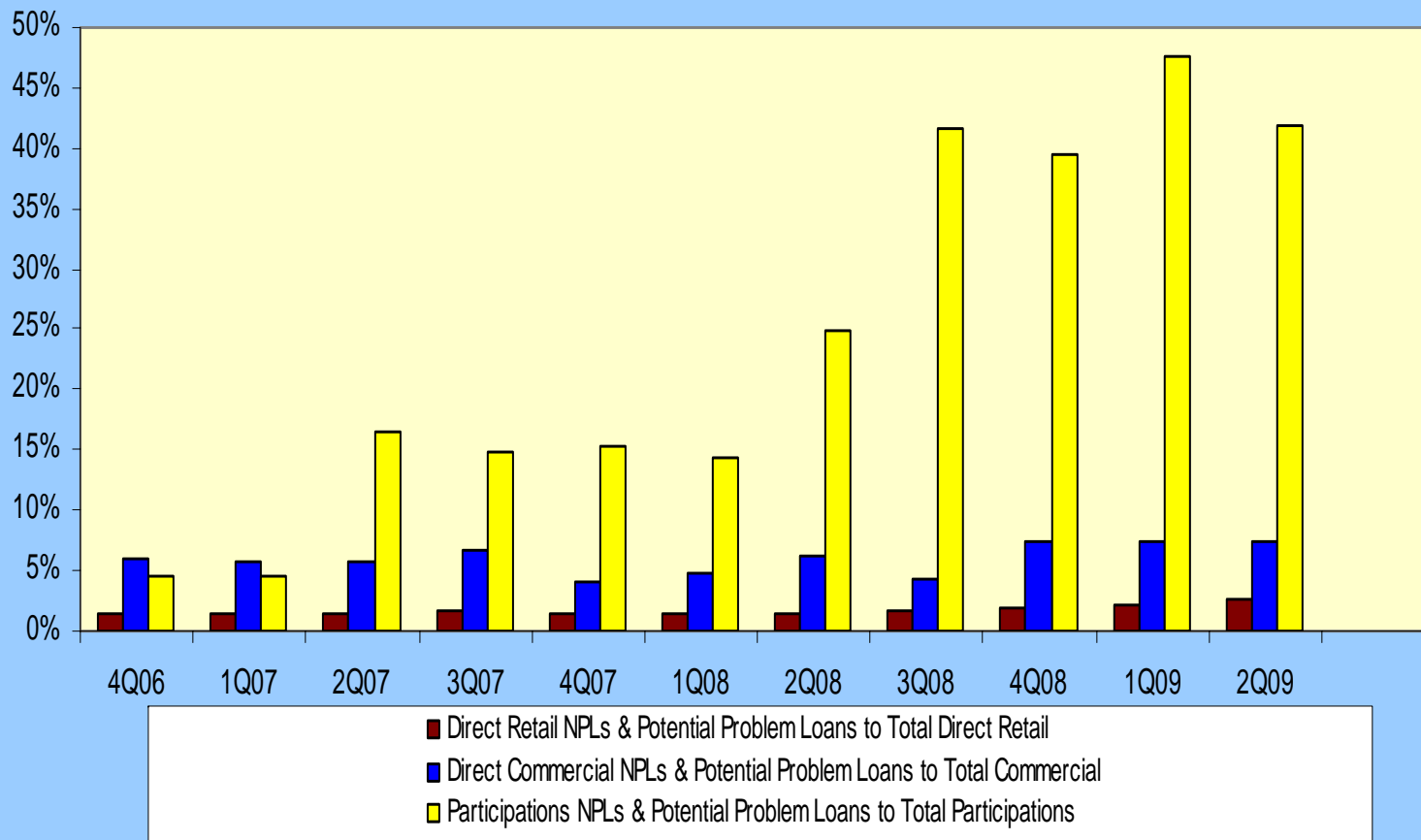
Since early 2008, we have focused on building and enhancing our capabilities to serve the small- to mid-sized business market. We believe that the breadth and diversity of the financial service needs of these business owners presents an ideal match for a financial institution of our size with our capabilities. We have an experienced chief credit officer (Sr. VP Daniel Zimmer), strengthened our credit team, revised our loan policy and underwriting standards to ensure that all loans originated meet stringent underwriting standards. We have a seasoned team of 16 business banking relationship managers, led by Executive VP Dale Clapp; 10 of these bankers have joined us since the start of 2008. Our suite of deposit, cash management and lending products, targeted to this market's needs, give us a competitive advantage. Within each sub-market we serve, our banking center managers work closely with our business bankers, our micro business lenders, our cash management team, and our senior personal bankers (who are responsible for mortgage origination and consumer lending), to design solutions which meet the needs of that market.

### **Meeting a greater number of our clients' financial service needs**

The Chicago area, while attractive from a demographic perspective, is relatively slow growing. As a result, our ability to grow disproportionately to the market is, and will for the foreseeable future, be contingent upon our ability to gain market share. There are two basic strategies through which we can accomplish this: obtain new client relationships from other institutions, and meet a higher percentage of the financial service needs of our current clients. Of these, the latter is a relatively more cost efficient means through which we can grow our franchise. Two main areas of focus are: (1) selling a higher number of loan and deposit products and services to our retail clients and (2) obtaining the personal banking relationships of our small and middle-market business banking clients.



**% of NPLs & Potential Problem Loans by Portfolio**





- Our network of Banking Centers serves a wide variety of market areas
- Each Banking Center focuses on meeting the financial service needs of specific niches within its uniquely defined market area (generally, an geographically delineated area of 10-15 square miles immediately surrounding the banking center location)
- Banking Center Managers are responsible for developing and executing sales and marketing action plans, with specific goals and objectives
- These plans, which are reviewed and approved by senior management, target specific client segments or niches within each market area, and leverage specific marketing capabilities and campaigns to pursue the niche
- Business development and calling efforts are integrated across multiple lines of business, encompassing business banking, cash management specialists, microlending (small business lenders), personal banking (including mortgage origination), community development, High Life (banking for those aged 50 and up) and marketing
- “Total relationship”-based goals and incentive compensation plans ensure that groups function as a team focused on identifying and fulfilling clients’ needs



## **Bancorp, Inc.** What We've Been Focused On

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- Proactively assessed and took action to mitigate portfolio credit risks
  - Eliminated syndication / participation originations
  - Implemented “exit strategy” on loans not meeting our risk tolerances
- Invested significantly in our core retail and small- and middle-market business banking franchises
  - Invested in our human capital
    - Upgraded banking center managers (2007/2008)
    - Added experienced chief credit officer and upgraded credit team (2007/2008)
    - Upgraded business banking franchise (2008)
      - Hired “seasoned” C&I team
      - Introduced sophisticated cash management/business deposits product suite, staffed with cash management sales team to support business bankers
  - Enhanced retail sales and service, performance management culture and performance tracking in retail delivery network (ongoing)
  - Introduced banking center market-specific sales plan approach (2008/2009)
  - Segmented client base into key niches for business development, marketing and retention purposes (e.g., Chairman’s Club, High Life) (ongoing)
  - Invested in communicating and increasing awareness of our brand in retail and business banking



## **Bancorp, Inc.** What We've Been Focused On

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- Enhanced and upgraded IT capabilities to support cash management strategies
- Upgraded and expanded physical delivery network (ongoing)
  - Planning/developing additional locations in St. John (2009), Crown Point (2010) and Bolingbrook (2011)
  - New locations planned in Olympia Fields (to replace Flossmoor, 2010) and Harvey (2010)



- Economy
- Credit quality
  - Improving NPA ratios
  - Mitigating potential impacts on brand, reputation
- Opportunistically reducing overall costs in light of higher FDIC assessments & credit collection related costs
- Achieving targeted earning asset growth levels
- Retaining talented individuals to carry out our relationship banking strategies



## **Bancorp, Inc. Opportunities: Going Forward**

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- Position CFS Bancorp, Inc. to capitalize on opportunities that will emerge as economy commences recovery
- Leverage capital strength and “personal” service orientation to differentiate us from the competition and capture greater market and relationship share
- Selectively expand geographic footprint through:
  - Branching
  - Opportunistic acquisitions
- Examine wealth management opportunities
  - Good “fit” with small- and middle-market business owner/operator niche
  - Sizeable base of large depositors
  - Market opportunity for moderately sized relationships (e.g., \$500,000 to \$750,000 in investable assets) common in this niche



## **Bancorp, Inc.** Key Takeaways

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- Strong, stable institution with solid capital levels and ample liquidity
- Right strategy and infrastructure in place to address current challenges and position for future growth
- Emerging from period of heavy investment well positioned to take advantage of opportunities presented by economic recovery
- Management team focused on executing strategy:
  - Addressing credit issues
  - Aligning costs
  - Developing business banking franchise
  - Capitalizing on retail franchise

# Supplemental Information



### **Citizens Financial Bank Mission**

To become the leading banking institution in our markets by providing extraordinary service and personalized financial solutions for our clients, resulting in superior value creation for our communities, clients, shareholders and employees

### **Vision**

To be a high-performing independent community bank focused on the financial needs of businesses and individuals



## Bancorp, Inc. Our Market Area

Measure	Five County Area*	Banking Center Defined Market Areas (22)**		
		Composite	Low (Market)	High (Market)
Households	2,869,699	109,049	833 (Willowbrook)	9,523 (Munster HQ)
Businesses	317,191	22,026	133 (Bolingbrook)	2,677 (Merrillville)
HH Pop. By Age				
<24	34.9%	34.0%	25.0% (Willowbrook)	44.9% (Harvey)
25-44	29.1%	24.5%	16.6% (Flossmoor)	35.3% (Bolingbrook)
45-64	24.1%	28.0%	20.2% (East Chicago)	34.3% (Flossmoor)
65+	11.8%	13.5%	3.6% (Bolingbrook)	29.3% (Willowbrook)
Avg. HH Income	\$78,917	\$76,757	\$38,247 (East Chicago)	\$109,404 (Bolingbrook)
HH Income Dist.				
<\$25K	19.2%	17.3%	3.4% (Bolingbrook)	43.3% (East Chicago)
\$25K-\$49K	25.0%	22.6%	7.2% (Bolingbrook)	36.3% (Merrillville)
\$50K-\$149K	51.3%	52.3%	25.9% (East Chicago)	76.4% (Bolingbrook)
>\$150K	4.5%	7.9%	0.8% (Hammond)	25.1% (Willowbrook)

\*Source: Pitney Bowes Business Insight

\*\* Source: BankIntelligence



## **Citizens Financial Bank Banking Center Network**

Location	Owned/ Leased	Deposits (\$000) @ 12/31/08	Customer Relationships (HH at 3/31/09, rounded to nearest 10)		
			Consumer	Businesses	Both Business & Consumer
<b>Indiana</b>					
Munster HQ	Owned	\$150,825	4,730	300	280
Crown Point	Owned	\$65,962	2,650	100	110
Dyer	Leased	\$81,870	950	40	50
East Chicago #1	Owned	\$32,829	2,150	40	50
East Chicago Harbor	Leased	\$18,188	1,380	20	40
Hammond	Owned	\$51,012	2,180	70	70
Highland	Owned	\$25,635	1,320	50	50
Merrillville	Owned	\$23,690	1,350	70	70
Munster #2	Owned	\$87,530	2,270	80	90
Schererville	Owned	\$29,453	930	40	50
Valparaiso	Owned	\$43,160	1,390	90	90

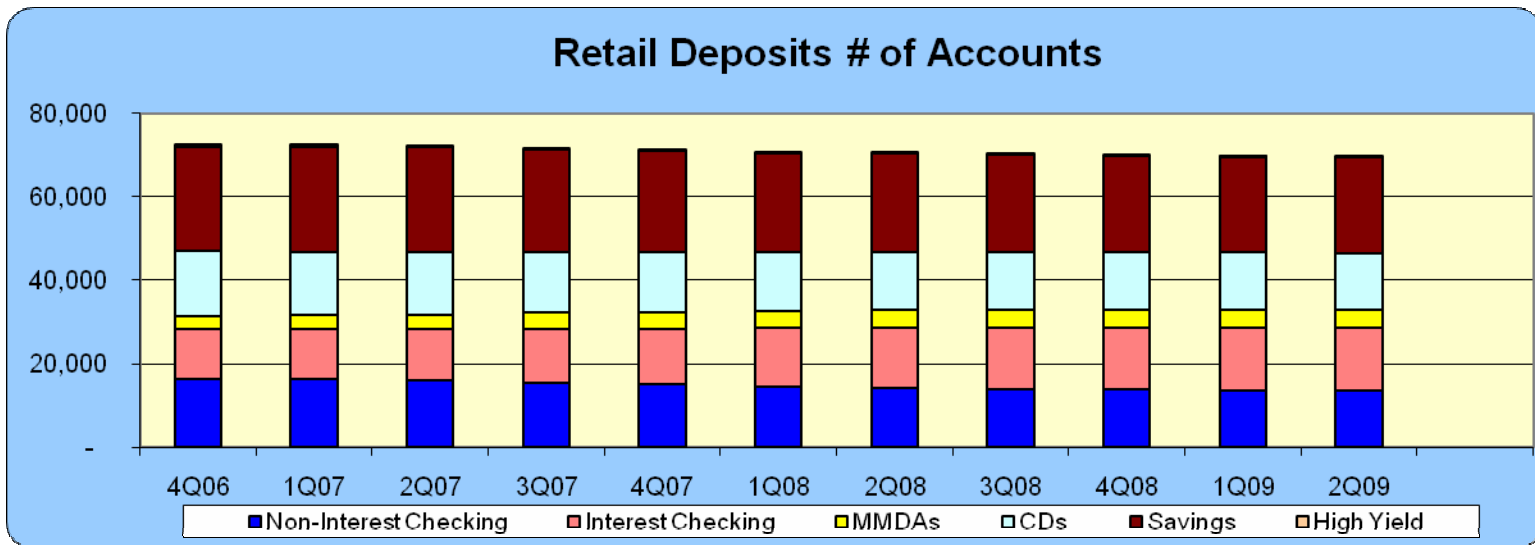
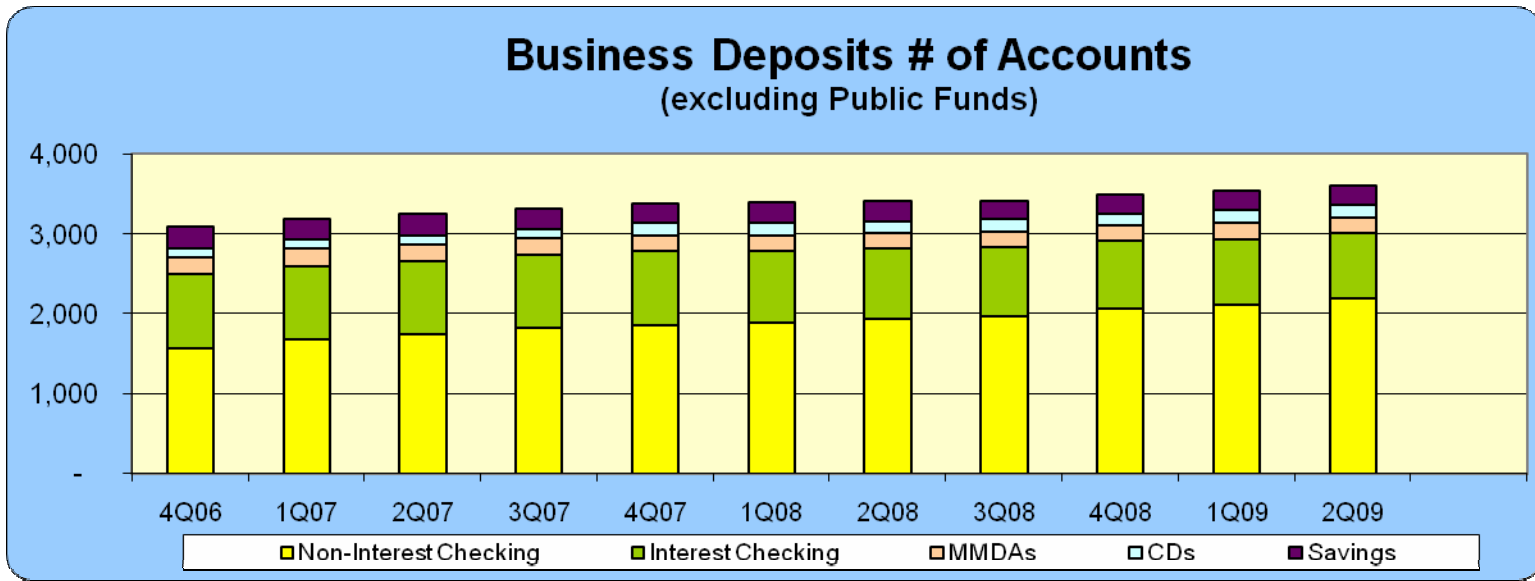


**Citizens Financial Bank Banking Center Network**

Location	Owned/ Leased	Deposits (\$000) @ 12/31/08	Customer Relationships (HH at 3/31/09, Rounded to nearest 10)		
			Consumer	Businesses	Both Business & Consumer
<b>Illinois</b>					
Bolingbrook	Owned	\$5,247	330	50	40
Darien	Owned	\$13,636	360	50	40
Flossmoor	Leased	\$36,883	1,720	110	100
Harvey	Leased	\$19,972	1,640	60	70
Hegewisch	Owned	\$26,426	1,070	20	30
Orland Park	Leased	\$12,986	400	10	20
Palos Heights	Owned	\$40,564	1,280	50	70
South Holland	Owned	\$42,778	2,290	80	110
South Holland #2	Owned	(Included Above)			
Tinley Park	Owned	\$3,737	210	10	20
Willowbrook	Leased	\$11,687	390	40	50

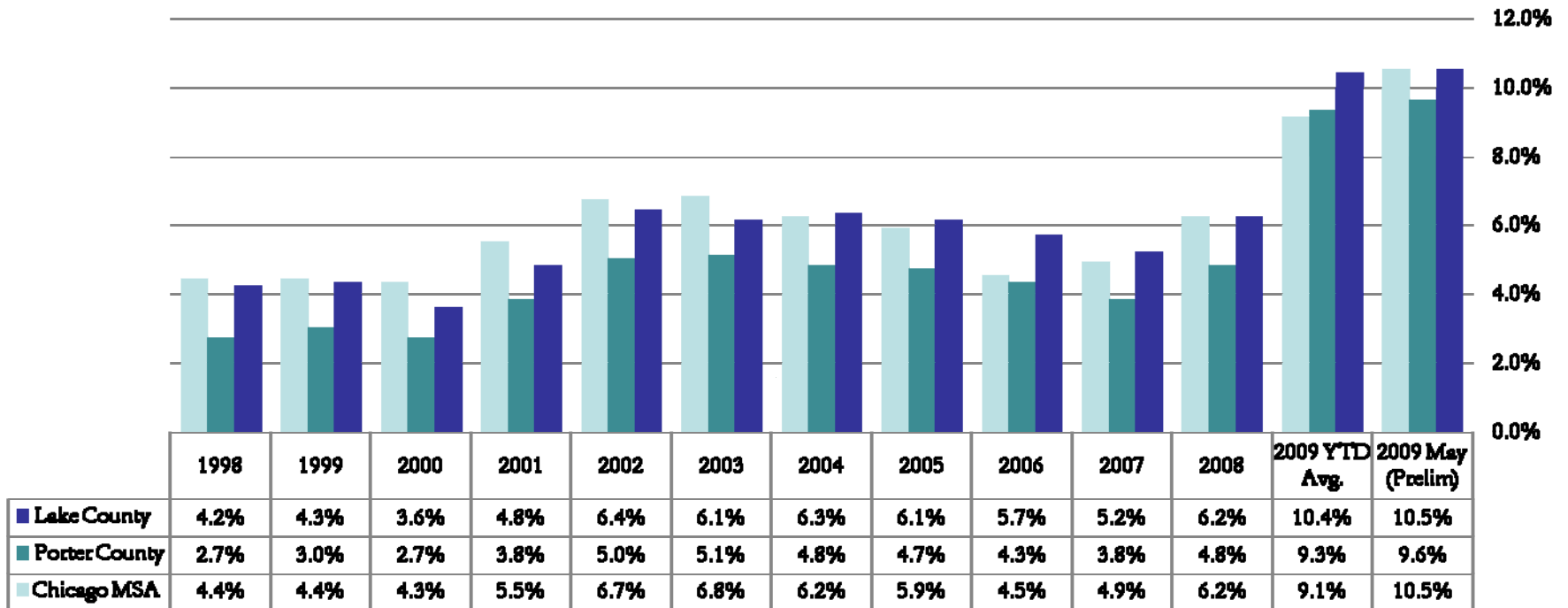


# Bancorp, Inc. Business & Retail Accounts





### Unemployment Rates



- Employment continues to decline
- Citizens Financial Bank serves a diverse range of market areas, including many areas dependent upon manufacturing employment
- Hard hit sectors include steelmaking, automotive, and recreational vehicles

**“The bank president went that  
extra mile—to *my* office.”**

—Thomas  
Business customer



**Citizens**   
FINANCIAL BANK  
*Personal,* business banking

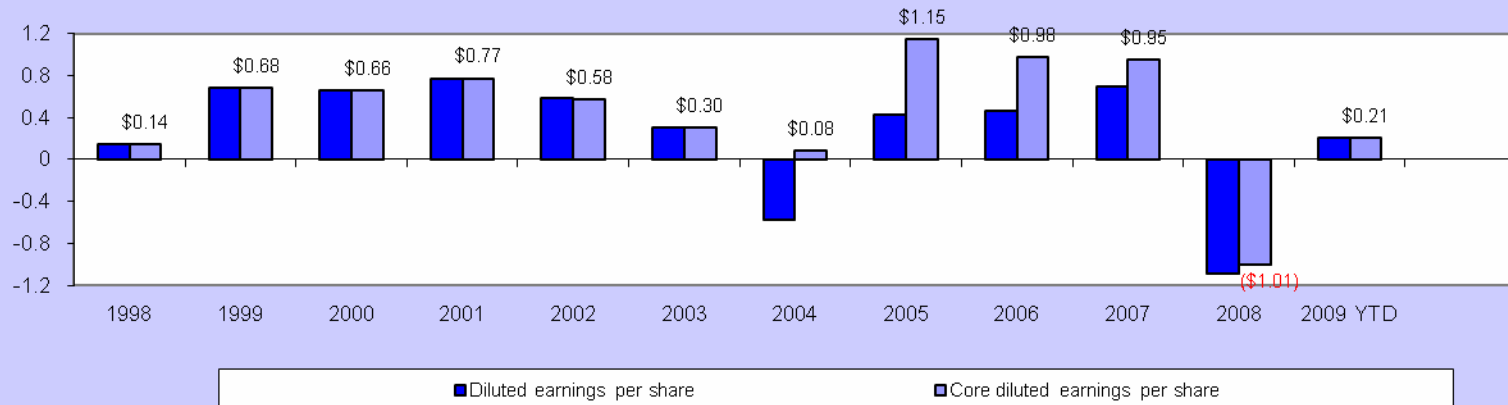
[www.mybankcitizens.com](http://www.mybankcitizens.com)

MEMBER  
FDIC

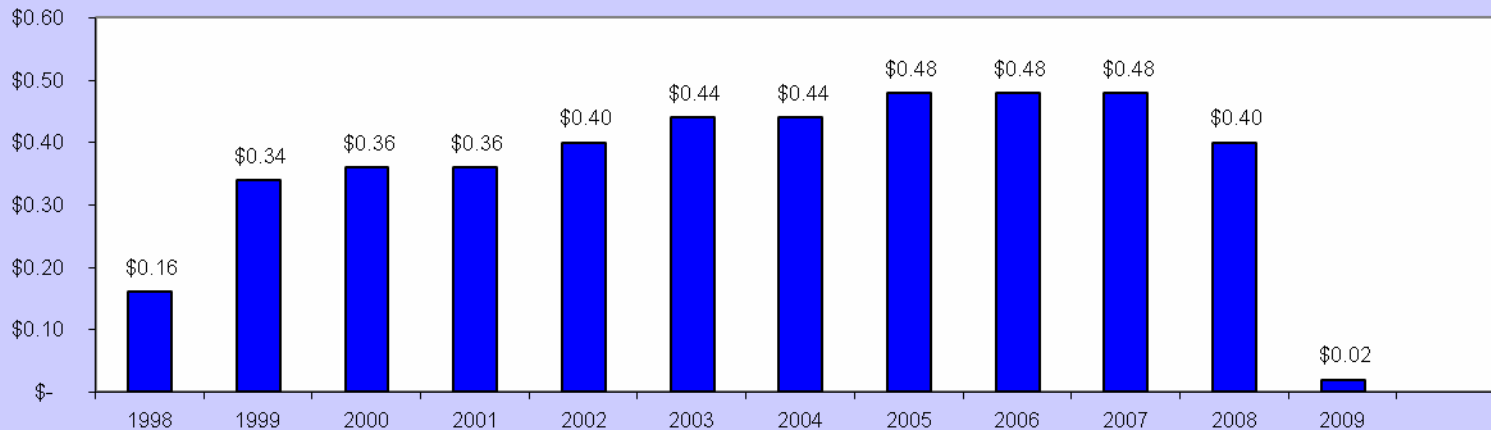
# Financial Information



## Diluted Earnings Per Share

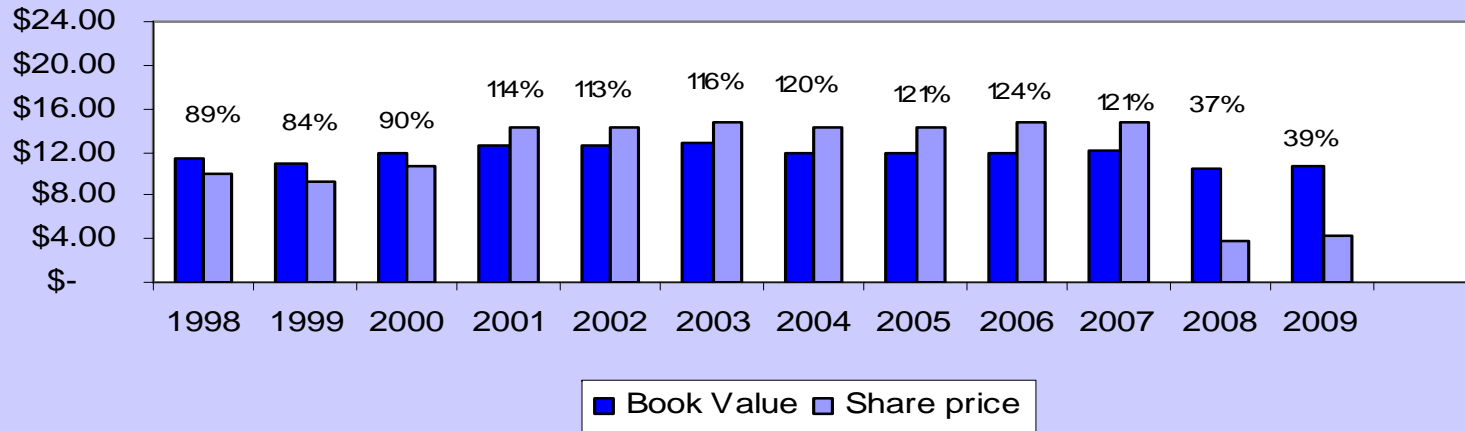


## Dividends Declared

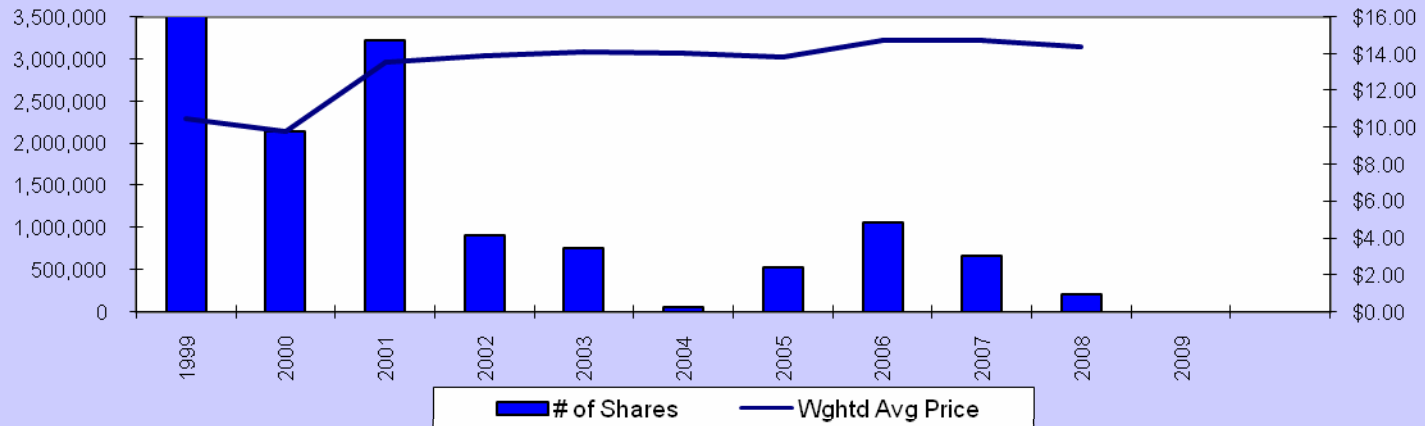




### Share Value



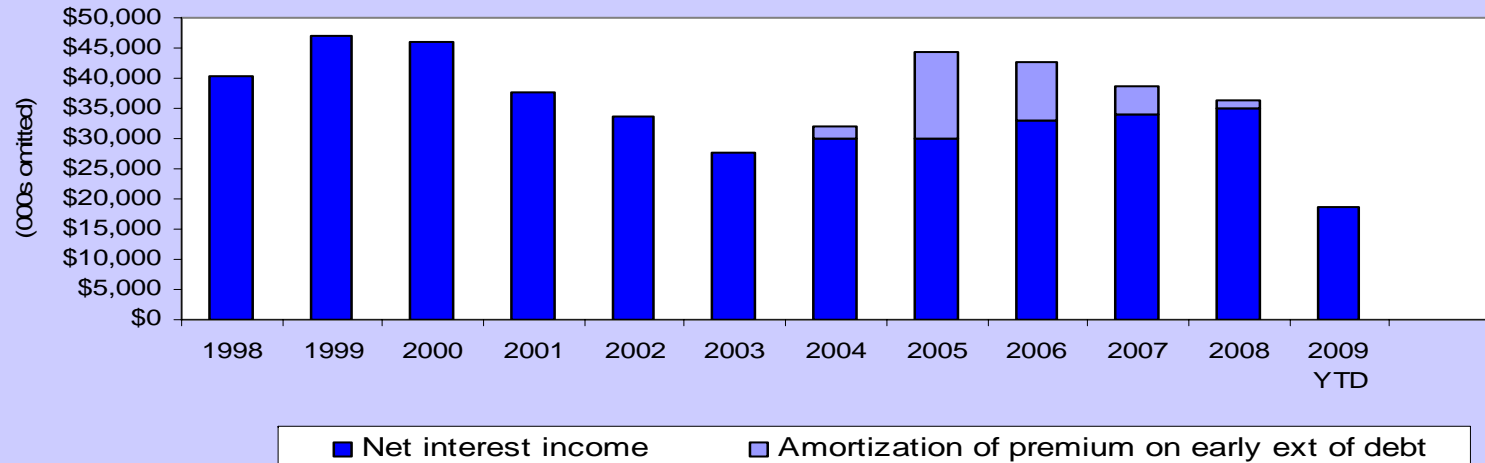
### Share Repurchase Activity



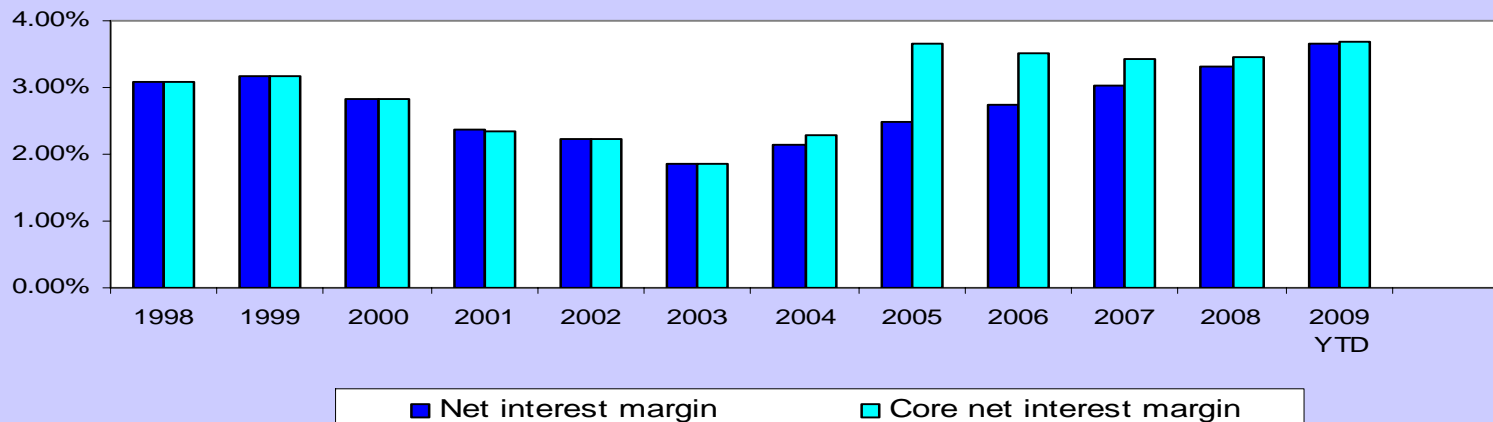


# Bancorp, Inc. Income Statement

## Net Interest Income



## Net Interest Margin

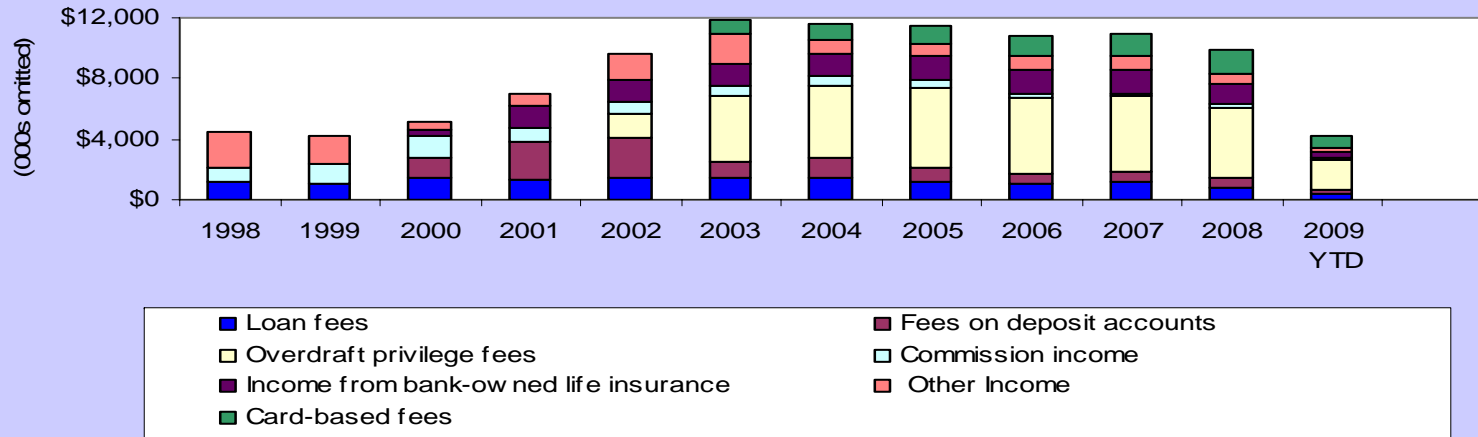




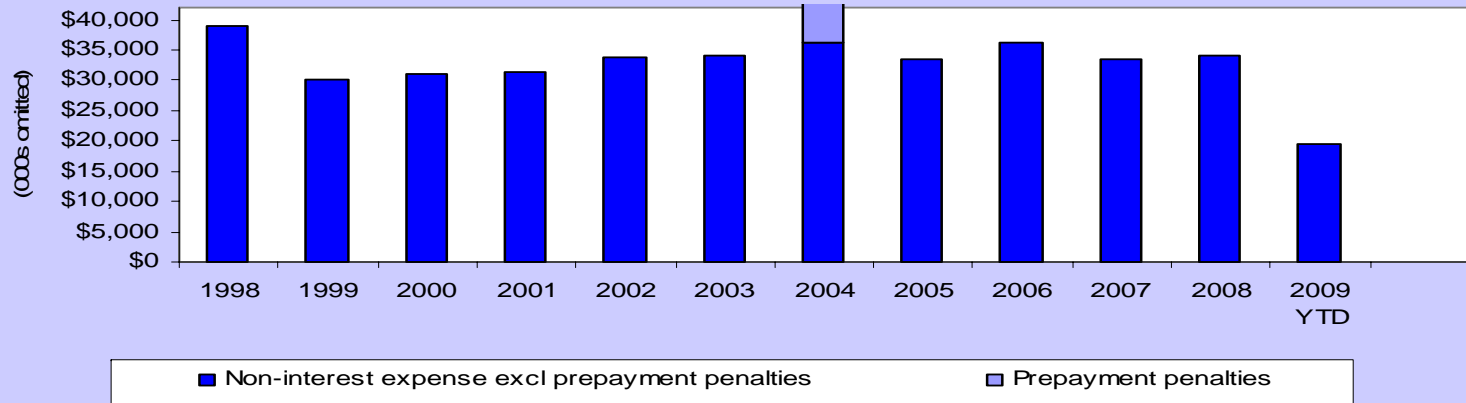
# Bancorp, Inc. Income Statement

## Non-Interest Income

(excludes gains on sales of assets and OTTI write-downs)



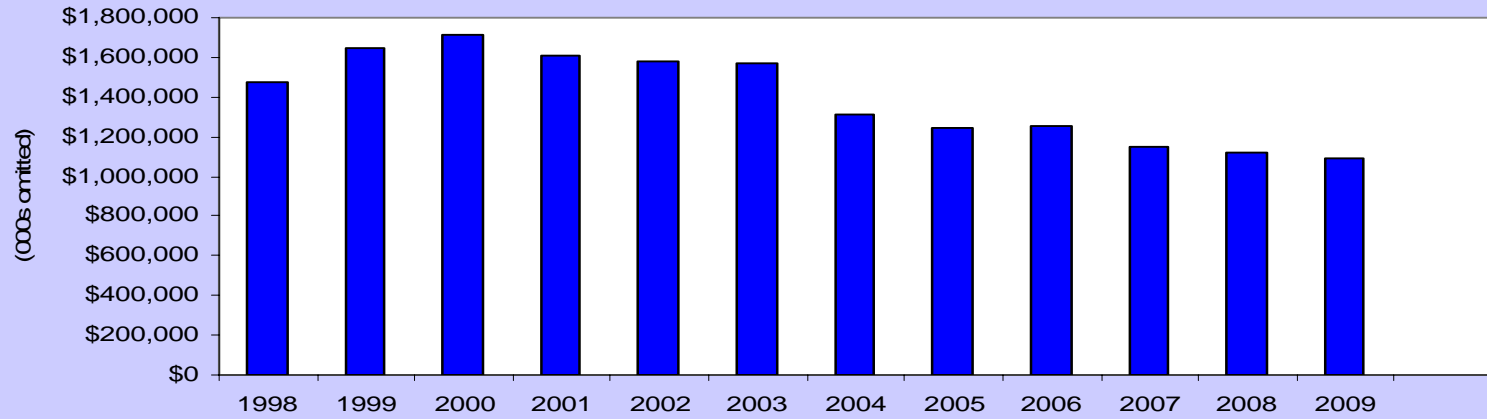
## Non-Interest Expense



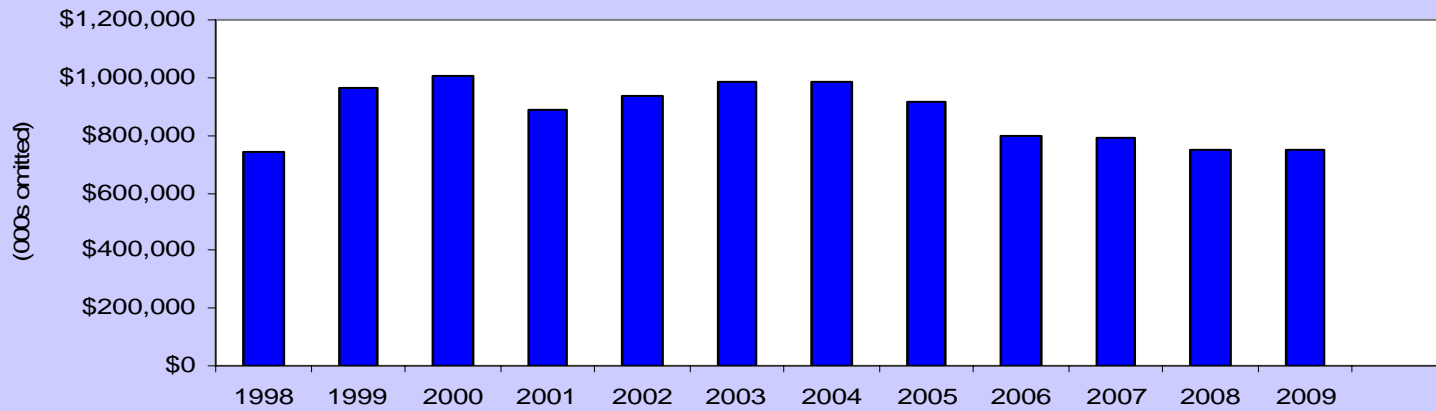


# Bancorp, Inc. Balance Sheet

## Total Assets

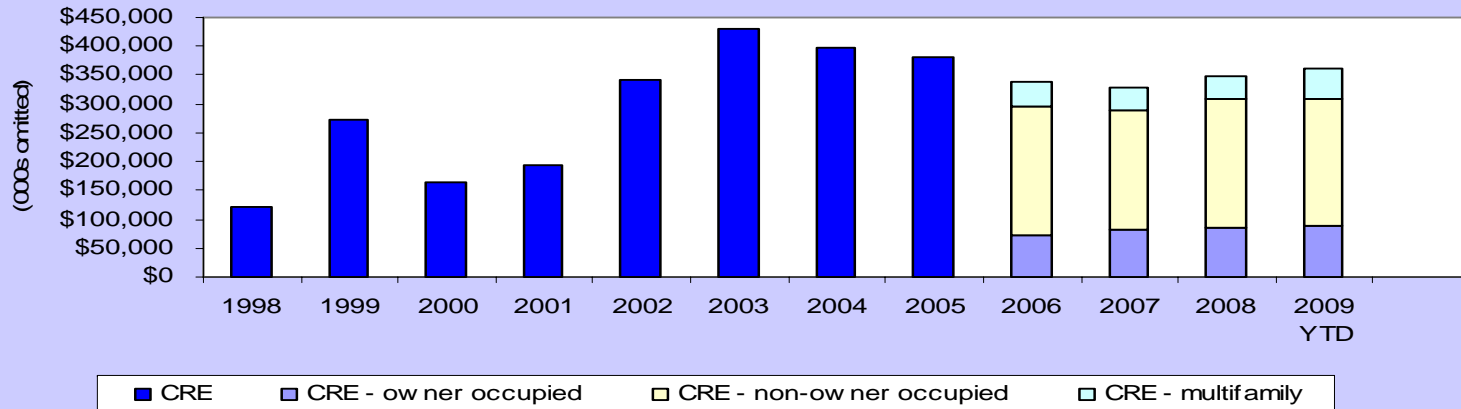


## Total Loans





### Total Commercial Real Estate Loans



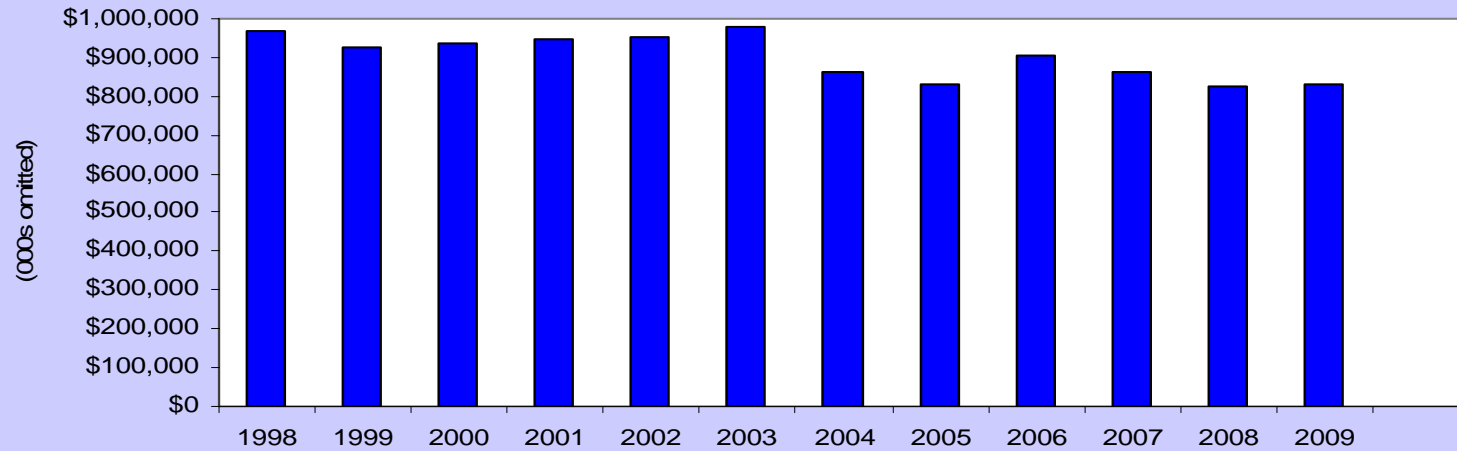
### Total Commercial and Industrial Loans



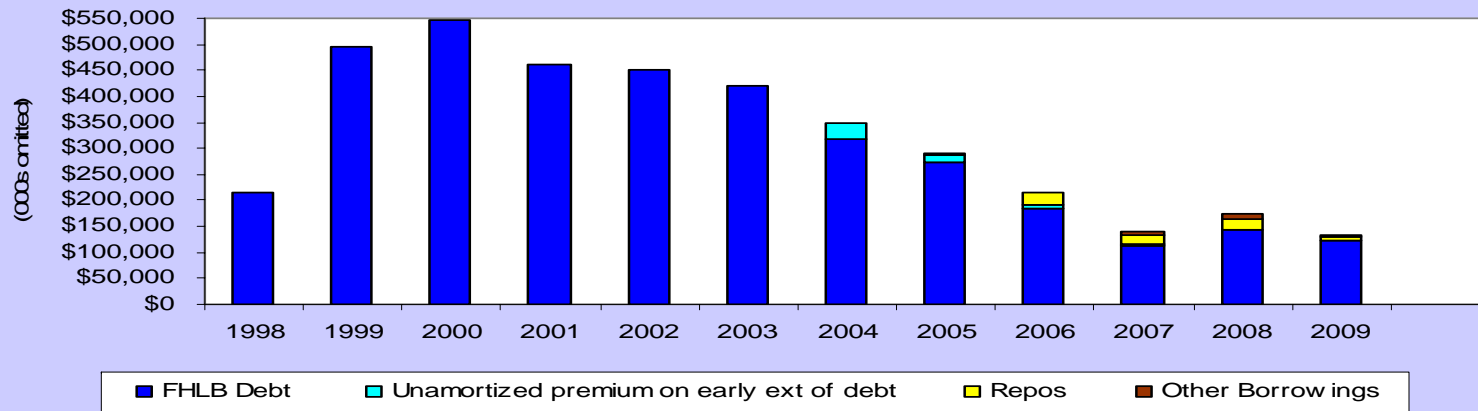


# Bancorp, Inc. Balance Sheet

## Total Deposits

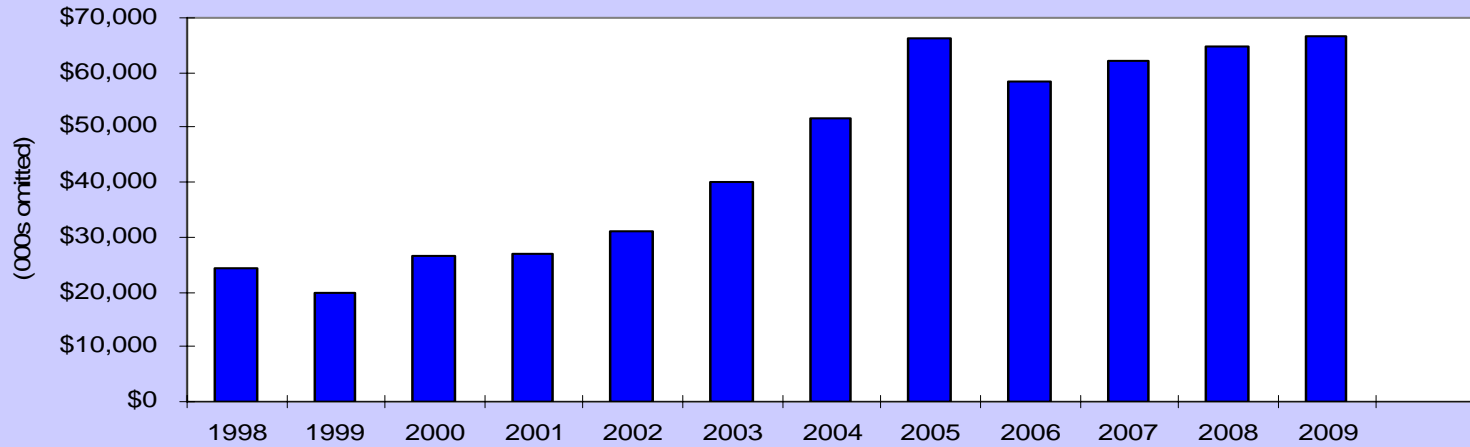


## Borrowed Money

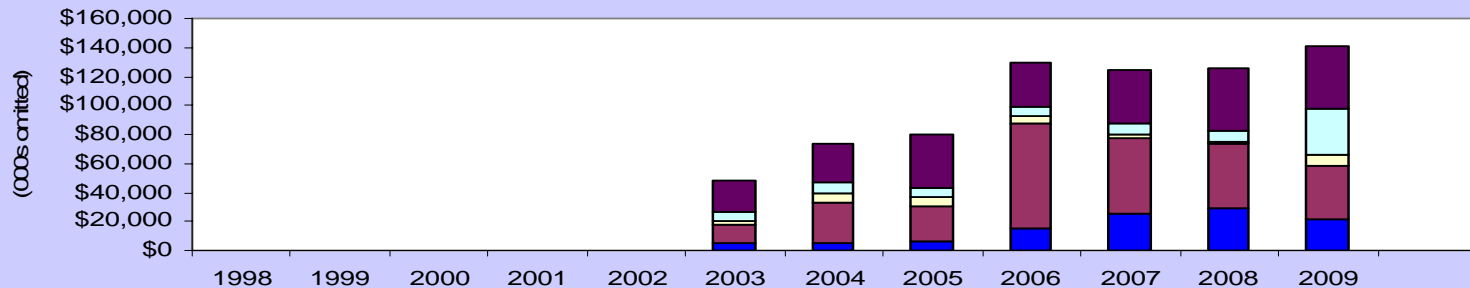




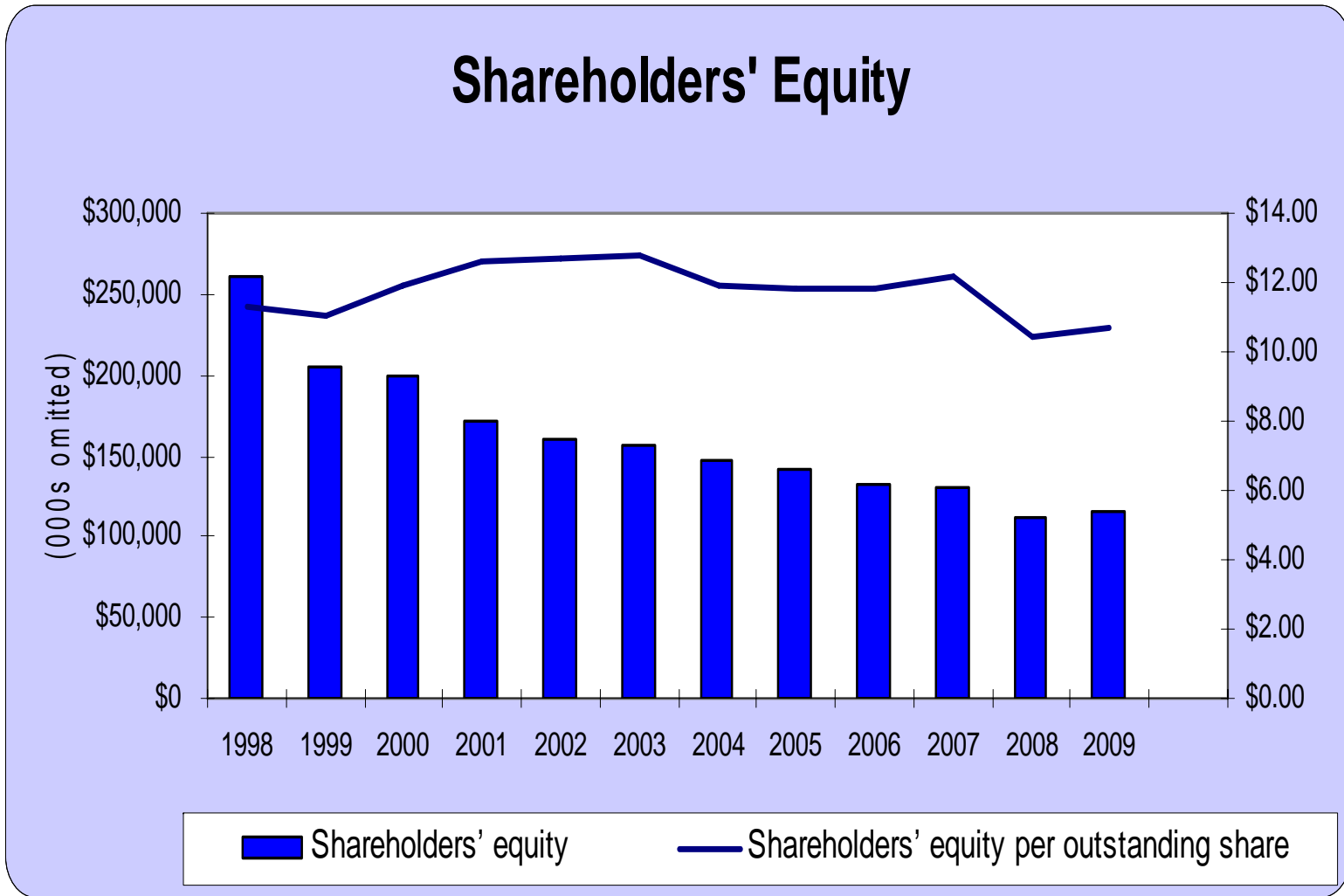
### Total Non-Interest Bearing Checking Deposits



### Business Account Balances

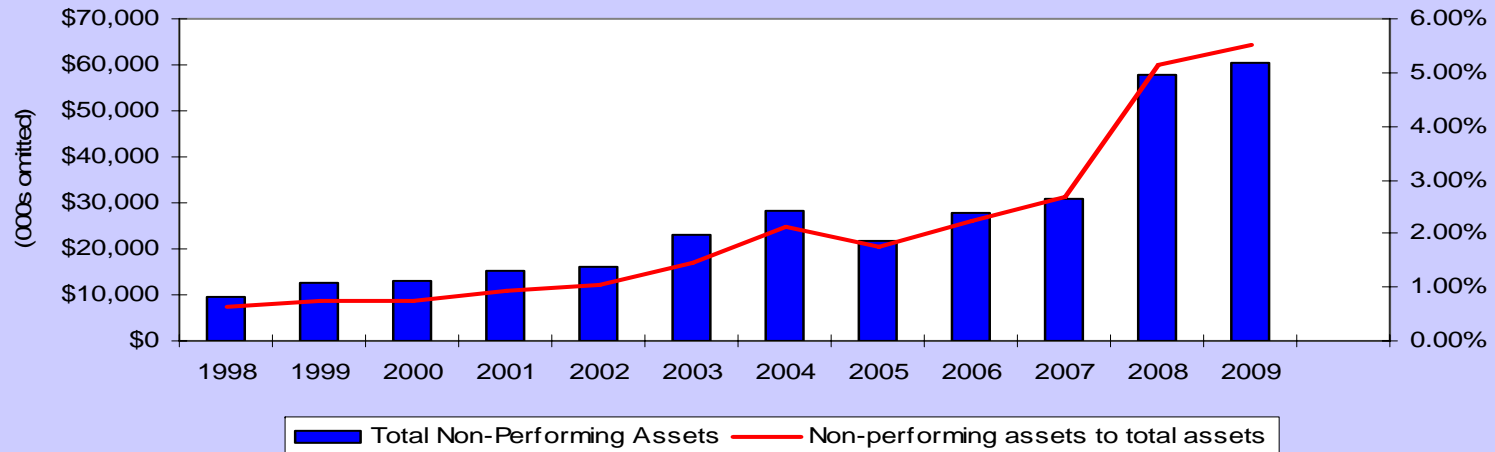


- Business certificates
- Business money market
- Business statement savings
- Business interest demand deposits
- Business non-interest demand deposits

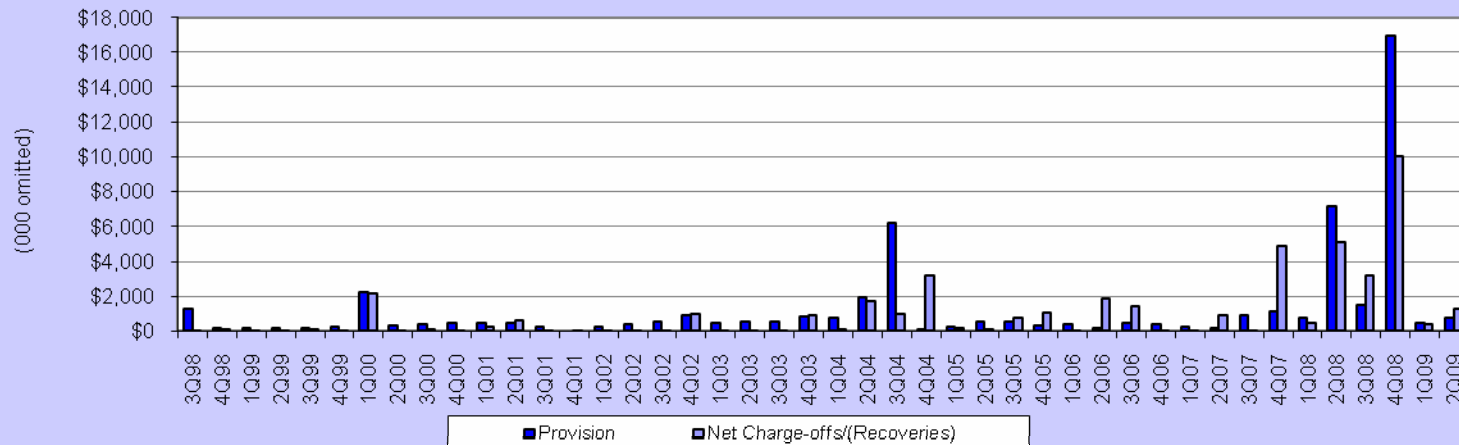




### Non-Performing Assets



### Provision & Net Charge-Offs



At June 30, 2009

Shares Outstanding:	10.8 million
Market Capitalization:	\$45.5 million
Annual Dividend per share:	\$0.04
Dividend yield:	0.99%
Average 2009 Daily Volume:	17,400
Book Value Per Share (6/30/09):	\$10.72
Recent Price (July 23, 2009):	\$4.03
Price/Book:	37.6%
Return on Assets (2Q09):	0.24%
Return on Equity (2Q09):	2.41%