



**LARGE BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

November 22, 2010

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Home State Bank / National Association  
Charter Number: 18763

40 Grant Street  
Crystal Lake, IL 60014-0000

Office of the Comptroller of the Currency

CHICAGO SOUTH Field Office  
2001 Butterfield Road Suite 400  
Downers Grove, IL. 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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>1</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>6</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>7</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>9</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>10</b>
LENDING TEST .....	10
INVESTMENT TEST .....	13
SERVICE TEST .....	14
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>1</b>

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of Home State Bank / National Association (HSB) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Home State Bank N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Lending Activity is excellent and provides for credit needs of the community;
- A substantial majority of the banks home mortgage loans and small business loans are originated within the banks assessment area (AA);
- Borrower distribution among low- and moderate-income individuals and families is excellent;
- Community development lending had a positive effect on the lending test rating;
- The bank's level of community development investments is adequate; and,
- Retail services are accessible to individuals of different income levels in the AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Home State Bank N.A. (HSB) is headquartered in Crystal Lake, Illinois. The bank has 8 office locations. All branch locations have an ATM. In addition to the ATMs at the branch locations, there are 7 cash dispense only ATM machines located throughout the bank's assessment area (AA).

All office locations, ATMs, and the operation center are located in McHenry County; these facilities are dispersed throughout the (AA). Seven of the bank's offices are full-service facilities and offer a full range of traditional banking products. The eighth location is a loan production office that also houses the bank's Trust services. In addition, HSB offers Telephone Banking, Bank by Mail, Internet Banking, and a 24-hour automated bank by computer service. Mobile phone access was added in 2010. There are no low- or moderate-income geographies in the bank's AA. There are 18 middle-income geographies and 16 upper-income geographies.

HSB is primarily considered a commercial bank and no change in strategy is planned; HSB plans to continue to offer their current range of banking products. As of September 30, 2010, HSB had total assets of \$670 million, total loans of \$437 million, total deposits of \$553 million, and Tier one capital of \$62 million. The bank's loan portfolio consists of commercial and commercial real estate (52 percent); residential real estate is 32 percent; construction and land development is 13 percent; and loans to individuals make up 3 percent.

HSB's last Public Evaluation (PE) using Large Bank Procedures is dated October 15, 2007, and the overall CRA rating assigned was Outstanding. Since the previous PE, HSB has discontinued the mobile branch operating at a retirement community center. Demographic changes in the community affected the need for banking services at the center. The bank opened a new full service branch with an ATM during January 2008 in northern McHenry County in a upper-income geography. There are no low or moderate-income geographies in the bank's AA.

HSB is a wholly owned subsidiary of Home State Bancorp, Inc., a one bank holding company also headquartered in Crystal Lake. Home State Mortgage Group is a subsidiary of the bank. HSB purchases some of their home mortgage loans originated by their subsidiary Home State Mortgage Group. There are no legal, financial, or other factors that would impede the bank's ability to help meet the credit needs in the bank's AA.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The evaluation period for the Lending Test, with the exception of community development (CD) loans, is January 1, 2007, through December 31, 2009. Under the Lending Test, home mortgage loans, small loans to businesses, and CD loans were evaluated. HSB did not originate any small farm loans during this evaluation period. For CD loans, the Investment Test, and the Service Test, the evaluation period is October 16, 2007, to November 22, 2010.

### **Data Integrity**

Prior to the commencement of the examination, we examined HSB's publicly filed HMDA and collected small business data to verify the accuracy of the data. We found the loan data to be reliable.

During this examination, we reviewed the bank's community development loans, investments, and services to ensure that they met the regulatory definition of community development. Some of the loans submitted by management have CD elements; but were reported as HMDA or small business loans.

### **Selection of Areas for Full-Scope Review**

We performed a full scope review of the bank's AA, which consists of 34 geographies within McHenry County. Please refer to the table in Appendix B for additional information regarding this area.

### **Ratings**

The bank's overall rating is based on those areas that received full-scope reviews.

### **Other**

During our examination, we contacted an Executive Director of a credit counseling organization that operates in the assessment area. We conducted our discussion with the contact via telephone, and we were provided with information about the roles of the financial institutions within the AA. The contact also provided an overview of demographic characteristics and economic conditions. Based on that discussion and review, as well as information obtained throughout the examination, we learned that the primary credit needs in the bank's AA are for loan modifications for home owners and

small business loans, which would facilitate the current business need for capital as well as attract new small start-up businesses. This, in turn, would add local jobs and tax revenue.

The contact stated that community banks in general are meeting these business needs. The contact indicated that there is a need for affordable housing as the County has limited rental options and 1-4 family housing is too expensive for low- or moderate-income individuals or families. The contact also mentioned that the financial institutions in the AA have been receptive and are committed to the development of this community.

There are few community development opportunities in the bank's AA, but competition for these is strong. Our contacts believed that the local financial institutions in general are satisfactorily involved in community development in the AA.

## **Fair Lending or Other Illegal Credit Practices Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Outstanding." Based on full-scope reviews, the bank's performance in its AA is excellent.

#### Lending Activity

Refer to Table 1, Lending Volume, and Table 1A, Other Products, in Appendix C for the facts and data used to evaluate the bank's lending activity.

Lending activity in the bank's AA is excellent. The bank's lending patterns are reflective of the credit needs of the community. The bank's lending is primarily home mortgage loans, which represents 59 percent of the total number of loans originated or purchased in the AA during this evaluation period. Home purchase loans and home refinance loans represent 31 percent and 66 percent, respectively, of the total number of home loans originated or purchased in the AA. Home improvement loans represent 3 percent of total home mortgage loans originated or purchased in the AA. Small business loans represent 41 percent of total loans originated in the AA during this evaluation period.

Based upon 2009 HMDA Peer Mortgage Data, within the bank's AA, HSB ranked 8 out of 351 lenders in this AA with a 3.47 percent market share. Large regional banks dominate the market. For home purchase loans, HSB ranked 6 out of 181 lenders with 4.70 percent market share. For home improvement loans, HSB ranked 7<sup>1</sup> out of 63 lenders with 3.75 percent market share. HSB ranked 9 out of 308 lenders for refinance loans with 3.08 percent market share.

Small business loans are also an identified credit need in the AA. Based on 2009 Peer Small Business Data, HSB ranked 5 out of 71 lenders with a market share of 4.51 percent. HSB originated a significant number of small business loans secured by residential real estate (571); consequently, those loans are not included in the small business tables but are included in Table 1A, Other Products. Competition for small business loans is strong in the bank's AA with a majority of the top 4 lenders being large regional and credit card banks.

## **Distribution of Loans by Income Level of the Geography**

HSB's assessment area does not contain any low- or moderate-income geographies; therefore, a geographic analysis would not be meaningful.

### ***Lending Gap Analysis***

Reports detailing HSB's lending activity over the evaluation period for home mortgage loans and small loans to businesses were reviewed to identify gaps in the distribution of those loans. No unexplained, conspicuous gaps were identified.

### ***Inside/Outside Ratio***

A majority (about 68 percent of the total number) of home mortgage loans and small loans to businesses originated or purchased by HSB over the evaluation period are within the AA. Sixty-two percent of the number and 60 percent of the dollar amount of total home loans were within the AA. Of the total number and dollar amount of small business loans, 80 percent and 75 percent, respectively, were originated within the AA.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution for home purchase loans is excellent. The percentage of home purchase loans made to low- and moderate-income borrowers (10.95 percent and 25.68 percent, respectively) significantly exceeds the percentage of low- and moderate-income families (9.99 percent and 14.18 percent respectively) in the AA.

The borrower distribution for home improvement loans is excellent. The percentage of home improvement loans made to low- and moderate-income borrowers (17.65 percent and 19.61 percent, respectively) significantly exceeds the percentage of low- and moderate-income families (9.99 percent and 14.18 percent respectively) in the AA.

The borrower distribution for home refinance loans is excellent. The percentage of home refinance loans made to low-income borrowers is 6.26 percent, which is below the demographics (9.99 percent); however, 2.34 percent of families are below the poverty level and this could have a negative impact on that population in achieving home ownership. The percentage of home refinance loans made to moderate-income borrowers is 17.37 percent, which exceeds the demographics (14.18 percent).

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is adequate. HSB's small loans to businesses with revenues of less than \$1 million are 54 percent, which is below the demographics of 80 percent. We note that a great majority of the bank's small loans to businesses are for amounts less than \$100 thousand (68 percent). Competition for small loans to businesses with revenues less than \$1 million is strong with large regional and credit card banks ranking in the top 10 banks for market share in the HSB's AA.

Additionally, the bank originated 571 loans for a total of approximately \$116 million with a business purpose that were secured by real estate and therefore cannot be included in the small business borrower loan analysis.

### **Community Development Lending**

Refer to Table 1, Lending Volume, in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community development lending had a positive impact on the Lending Test. We determined that HSB made 21 loans totaling \$3.9 million during the evaluation period that qualified as community development loans. The following are examples of these loans over the 2007 – 2010 evaluation period:

- Over the evaluation period, \$1.9 million in loans were originated to a local non profit community center. This center is recognized by the State of Illinois as generating small business development and stabilizing the area in downtown Crystal Lake. This area is targeted by the city for revitalization.
- The bank originated \$632 thousand in loans to a for profit organization that provides affordable housing to low- and moderate-income individuals under Section 8.
- A local county organization received \$250 thousand in loans that provided financing for low- and moderate-income first time homebuyers.
- A non profit organization received \$125 thousand in loans that helped to provide shelter and other community development services to homeless Veterans.
- A local economic development organization received \$50 thousand in loans that encouraged growth in small businesses within the bank's AA.

- An organization that provides housing for homeless families who assist in the construction of their new homes received loans totaling \$130 thousand this evaluation period.

## **Product Innovation and Flexibility**

Product flexibility had a positive impact on the Lending Test conclusion. The bank offers flexible products that include home mortgage loan programs that target low- and moderate-income borrowers. Though these products are not complex, they do help provide for the credit needs of low- and moderate-income individuals and families.

- They include assistance for Section 8 housing, a program initiated by the bank's commercial lending team. The in-house Section 8 housing loan program provides extra benefits to the borrower such as an initial interest rate lowered by 25 basis points, the 1 percent origination fee is waived and financing is up to 90 percent instead of the standard 85 percent. Through their in-house Section 8 housing loan program, the bank originated 4 of these loans in this evaluation period for a total of \$712 thousand.
- Through a local organization promoting affordable home ownership, the bank originated 26 loans for a total of \$340 thousand in home mortgage loans. This affordable loan program offers down payment assistance from non-traditional sources, longer repayment terms, and second mortgages.
- FHA mortgages provide more flexible terms and conditions. The bank is an approved FHA lender and has realized an increase of FHA applications from 3.7 percent of applications in 2007 to 33.4 percent of applications in 2009. HSB originated 275 FHA loans for a total of \$44 million during this evaluation period.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated "Low Satisfactory." Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Based on a full-scope review, the bank's performance is adequate. Information obtained from bank management and the Community Contact indicated that investment opportunities in the area are very limited.

HSB made approximately \$2.2 million in investments and grants during the evaluation period. Additionally, the present value of prior period investments total approximately \$1.3 million. Qualified investments, grants, and donations total approximately \$3.5

million. Prior period investments do not carry the same weight value as current period investment. Though the bank's CD investments are not complex, they do help meet a CD need in the bank's AA as well as a greater regional area. A very small number of partnership opportunities exist to facilitate activities to address the level of community development needs for affordable housing in the AA. These conclusions are based on discussions with a local community contact and discussions with bank management.

The following are examples of qualifying current period investments and grants:

### **Investments**

During the assessment period, HSB invested \$2.1 million to purchase mortgage backed securities. All mortgages in these pools are to low- or moderate-income borrowers in the statewide/regional area with potential benefit to the AA.

### **Grants and Donations**

In addition to the above referenced investments, HSB made approximately \$90 thousand in cash and in-kind contributions and grants to 21 organizations that provide services that meet the definition of community development. These contributions included:

- \$10,724 to the local county economic development organization that promotes small business growth with emphasis on low-income individuals.
- \$22,000 to an organization that provides mentoring and scholarships to low- and moderate-income youth.
- \$7,000 to an affordable housing organization in McHenry County that provides down payment assistance to low- and moderate-income individuals and families.
- \$4,000 to support a local county housing foundation that provides housing programs for low- and moderate-income individuals and families.
- \$46,276 to 17 other non profit organizations that provide either assistance to the homeless, educational opportunities to low-and moderate-income youth, or support for low-income families.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory."

### ***Retail Banking Services***

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

HSB's delivery systems are accessible to individuals of different income levels in the bank's AA. There are no low- or moderate-income geographies in HSB's AA. However, there are low- and moderate-income individuals/families that reside within the bank's middle and upper Income geographies within the bank's AA. Fifty-eight percent of low- and moderate-income families reside in the Middle Income geographies in the bank's AA. Forty-two percent of low- and moderate-income families reside in the Upper Income geographies within the bank's AA. The current unemployment rate in McHenry County is 8.3 percent according to the September 2010 report from the US Bureau of Labor Statistics.

HSB operates 8 branches; seven are full service facilities and the 8<sup>th</sup> location is a loan production office that also houses the bank's Trust services. A mobile branch was discontinued in 2010 due to demographic changes, including lower demand for financial services in the retirement community being served. Since the prior examination, HSB opened a new office in December of 2008 in an upper-income geography in north McHenry County. Lobby hours and services provide good accessibility for all bank customers. Hours and services are standard among all locations.

### **Community Development Services**

HSB's performance in providing community development services in the assessment area is good. Several officers and employees of HSB serve on the Boards of Directors or as Officers of 31 community development service organizations. Services provided by bank personnel include providing financial expertise in the form of assistance in approving loan requests to a small business development corporation and organizations providing educational services to children from low- and moderate-income households. While the community development services provided are non-complex, they are responsive to the needs of the community. Examples of some of these services include:

- An Officer serves on the Board of an organization and provides his financial expertise in administration of programs that help low-income individuals and families obtain housing. Programs also help provide dental, vision, and hearing services using grant money.
- An Officer serves a local economic development organization by providing his financial expertise on this organization's banking committee while also serving on the organization's Board acting as Secretary. This organization promotes the economic health of the county through retention, expansion, and attraction of commerce and industry.

- An Officer serves as a Commissioner and provides her financial expertise in funding programs for seniors, such as transportation for low- and moderate-income seniors.
- An Officer serves on a hospital board and provides financial expertise to a committee that helps provide medical services to low-income and uninsured individuals and families.
- A bank Officer provides his financial expertise for free at a small business development center by educating and counseling small business owners and start ups in several areas of business financing.
- A bank Officer provides his financial expertise to a non-profit organization to fund different organizations that provide support to low- and moderate-income individuals and families with housing, food, and medical services.
- An Officer is a board member of a non-profit organization and provides his financial expertise for funding programs that help homeless women and children by providing resume building, job training, parenting skills, and nutritional information.
- An Officer provides her financial expertise in the area of fundraising and marketing to a non-profit organization that builds homes for low- and moderate-income families.

## 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): January 1, 2007 to December 31, 2009 Investment and Service Tests and CD Loans: October 15, 2007 to November 22, 2010	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Home State Bank (HSB) Crystal Lake, Illinois	Home mortgage loans, small business loans, community development loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Home State Mortgage Group</i>	Subsidiary of the Bank	Home Mortgage Loans
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
McHenry County	Full Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### McHenry County

Demographic Information for Full Scope Area: Home State McHenry County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	34	0.00	0.00	52.94	47.06	0.00
Population by Geography	190,461	0.00	0.00	44.70	55.30	0.00
Owner-Occupied Housing by Geography	54,566	0.00	0.00	43.01	56.99	0.00
Total Non-Farm Businesses by Geography	12,569	0.00	0.00	46.16	53.84	0.00
Farms by Geography	402	0.00	0.00	60.45	39.55	0.00
Family Distribution by Income Level	50,926	9.99	14.18	25.33	50.50	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,307	0.00	0.00	57.72	42.28	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below Poverty Level		60,166 74,700 3%	Median Housing Value Unemployment Rate (Bureau of Labor Statistics September 2010)		169,461 8.3%	

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

Source: 2000 US Census and 2010 HUD updated MFI

### DESCRIPTION OF ASSESSMENT AREA

HSB is headquartered in Crystal Lake, Illinois. Crystal Lake is within the Chicago/ Naperville/Joliet MD 16974. The AA consists of 34 geographies in McHenry County. There are no low- or moderate-income geographies, 18 middle-income geographies, and 16 upper-income geographies. HSB's AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas.

As of June 30, 2010, all of HSB's deposits are derived from this AA. HSB deposits total approximately \$600 million. Based on FDIC Deposit Market Share Report, dated June 30, 2010, this equates to a 9.60 percent deposit market share for HSB, ranking the bank 2<sup>nd</sup> out of 31 depository institutions in the McHenry County area. Fifty-nine percent of the bank's HMDA loans and 41 percent of the bank's CRA loans are within the AA.

The updated Housing and Urban Development (HUD) 2010 median family income for the AA is \$74,700. A breakdown of family income levels in the AA shows 9.99 percent as low-income, 14.18 percent moderate-income, 25.33 percent middle-income, and 50.50 percent upper-income. A low-income family has a maximum income of \$37,300. In addition, 3.23 percent of families have incomes below the poverty level.

Of the 67,744 total occupied housing units in the AA, 54,566 (80.55 percent) are owner-occupied, 10,752 (15.87 percent) are rental-occupied, and 2,426 (3.58 percent) are vacant.

The median housing value within the AA based on the 2000 census data is approximately \$170 thousand.

The employment base in the AA is service oriented (47.48 percent), followed by retail trade (13.38 percent), and construction (11.19 percent).

## Appendix C: Tables of Performance Data

---

### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_\_12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1A. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Institution ID: HOME STATE BANK

**Table 1. Lending Volume**

LENDING VOLUME		Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009				
Assessment Area (2009):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans **		Total Reported Loans		% of Rated Area Deposits in MA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
Home State McHenry	100.00	1,651	317,461	1,130	153,401	0	0	21	3,900	2,802	474,762	100.00

\* Loan Data as of December 31, 2009. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is from January 01, 2010 to December 31, 2010.

\*\*\* Deposit Data as of March 15, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: HOME STATE BANK

(1000018763) (Included)

Table 1. Other Products

LENDING VOLUME		Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009						
Assessment Area (2009):	% of Rated Area Loans (#) in MA/AA	Total Optional Loans**		Small Business Real Estate Secured**		Home Equity**		Motor Vehicle**		Credit Card**		Other Secured Consumer**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>														
Home State McHenry	100.00	571	115,585	571	115,585	0	0	0	0	0	0	0	0	100.00

\* Loan Data as of December 31, 2009. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Line(s) is from January 01, 2007 to December 31, 2009.

\*\*\* Deposit Data as of March 15, 2011. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

(1000018763) (Included)

**Table 1. Other Products**

LENDING VOLUME		Geography: MCHENRY COUNTY		Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2009	
Assessment Area (2009):	Other Unsecured Consumer Loans		Other Optional Loans*		
	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>					
Home State McHenry	0	0	0	0	0

\* The evaluation period for Optional Product Line(s) is from January 01, 2007 to December 31, 2009.

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE 31, 2009		Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO DECEMBER							
Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	501	100.00	0.00	0.00	0.00	0.00	43.01	57.09	56.99	42.91	1.48	0.00	0.00	1.56	1.40

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT 31, 2009			Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO DECEMBER						
Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	53	100.00	0.00	0.00	0.00	0.00	43.01	50.94	56.99	49.06	3.77	0.00	0.00	3.94	3.62

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2009			Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO						
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans****	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	1,093	100.00	0.00	0.00	0.00	0.00	43.01	40.71	56.99	59.29	2.56	0.00	0.00	2.32	2.74

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

\*\*\*\* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 2009		Geography: MCHENRY COUNTY								Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,					
Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	4	100.00	0.00	0.00	0.00	0.00	61.90	75.00	38.10	25.00	15.79	0.00	0.00	23.08	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

\*\*\* Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

\*\*\*\* Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2009		Geography: MCHENRY COUNTY								Evaluation Period: JANUARY 1, 2007 TO					
Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	1,130	100.00	0.00	0.00	0.00	0.00	45.12	43.89	54.88	56.11	4.61	0.00	0.00	4.64	4.70

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2009).

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS DECEMBER 31, 2009		Geography: MCHENRY COUNTY								Evaluation Period: JANUARY 1, 2007 TO					
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	0	0.00	0.00	0.00	0.00	0.00	57.50	0.00	42.50	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2009).

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE 2009		Geography: MCHENRY COUNTY								Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,					
Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>1</sup>	% BANK Loans <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	501	100.00	9.99	10.95	14.18	25.68	25.33	25.89	50.50	37.47	1.54	3.22	1.43	0.42	2.22

<sup>\*</sup> Based on 2009 Peer Mortgage Data (USPR)

<sup>\*\*</sup> Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of Families is based on the 2000 Census information.

<sup>\*\*\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 5.2% of loans originated and purchased by bank.

<sup>1</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT 31, 2009		Geography: MCHENRY COUNTY								Evaluation Period: JANUARY 1, 2007 TO DECEMBER					
Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>2</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	53	100.00	9.99	17.65	14.18	19.61	25.33	31.37	50.50	31.37	4.08	18.75	6.25	1.61	2.52

<sup>\*</sup> Based on 2009 Peer Mortgage Data (USPR)

<sup>\*\*</sup> Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of Families is based on the 2000 Census information.

<sup>\*\*\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 3.8% of loans originated and purchased by bank.

<sup>2</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2009		Geography: MCHENRY COUNTY						Evaluation Period: JANUARY 1, 2007 TO							
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>3</sup>	% BANK Loans <sup>****</sup>	% Families <sup>*</sup> **	% BANK Loans <sup>****</sup>	% Families <sup>*</sup> **	% BANK Loans <sup>****</sup> *	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Home State McHenry County	1,093	100.00	9.99	6.26	14.18	17.37	25.33	26.16	50.50	50.20	2.94	4.09	3.18	2.33	3.07

<sup>\*</sup> Based on 2009 Peer Mortgage Data (USPR)

<sup>\*\*</sup> Home refinance loans originated and purchased in the MA/AA as a percentage of all home refinance loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of Families is based on the 2000 Census information.

<sup>\*\*\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 9.4% of loans originated and purchased by bank.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2009			Geography: MCHENRY COUNTY				Evaluation Period: JANUARY 1, 2007 TO		
Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Businesses <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Home State McHenry County	1,130	100.00	80.04	54.07	68.41	14.96	16.64	4.61	9.58

<sup>\*</sup> Based on 2009 Peer Small Business Data -- US and PR

<sup>\*\*</sup> Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

<sup>\*\*\*</sup> Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2009).

<sup>\*\*\*\*</sup> Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS 31, 2009		Geography: MCHENRY COUNTY				Evaluation Period: JANUARY 1, 2007 TO DECEMBER			
Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans <sup>****</sup>	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
Home State McHenry County	0	0.00	95.68	0.00	0.00	0.00	0.00	0.00	0.00

<sup>\*</sup> Based on 2009 Peer Small Business Data -- US and PR

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2009).

<sup>\*\*\*\*</sup> Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS 2009		Geography: MCHENRY COUNTY				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,			
Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Home State McHenry County	5	1,300	22	90	27	1,390	40	0	0
Broader statewide area (Portion of MBS)	0	0	2	2,066	2	2,066	60	0	0

\* 'Prior Period Investments' means investments made in a previous period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Institution ID: HOME STATE BANK

(10000018763) (Included)

**Table 15 Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS								Geography:				Evaluation Period:					
Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
	10010 0.00	8	100	0	0	25	75	1	1	0	0	0	0	0	0	44.7	55.3