



PUBLIC DISCLOSURE

October 16, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank
Charter Number 706278

1000 East Cook Street
Redwood Falls, MN 56283

Office of the Comptroller of the Currency

Campbell Mithun Tower
222 South Ninth Street
Suite 800
Minneapolis, MN 55402-3393

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.

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Overall CRA Rating: This institution is rated Satisfactory.

The primary factors supporting Hometown Bank's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size and the credit needs of the assessment areas (AAs);
- The bank originates a majority of loans to customers inside the AAs;
- The distribution of loans to borrowers of different income levels reflects reasonable penetration within the bank's AAs;
- The geographic distribution of loans reflects reasonable dispersion to geographies of different income levels within the bank's AAs.

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 generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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 conduct 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 applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), 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 refinancings, 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 five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

Hometown Bank is a single state, federally chartered stock savings bank headquartered in Redwood Falls, MN. As of June 30, 2017, Hometown Bank had \$279 million in total assets. Hometown Bank is wholly owned by Redwood Financial Inc., a single-bank holding company located in Redwood Falls, MN.

Since the last Community Reinvestment Act (CRA) examination, the institution opened two new branches, giving it a total of nine branches. The Waconia branch was opened in 2013 and the Shakopee branch was opened in 2015. In addition, the institution consolidated their two Redwood Falls locations into one in 2014. Hometown Bank operates nine automated teller machines (ATMs), none of which accept deposits.

Hometown Bank is a full-service bank that offers a variety of traditional loan and deposit products to meet the financial needs of the community. As of June 30, 2017, net loans and leases totaled \$207 million or 73.98 percent of total assets, Tier 1 capital totaled \$28 million, and the Tier 1 leverage ratio was 10.70 percent. The loan portfolio consists of 44 percent commercial, 30 percent residential real estate, 21 percent agriculture, and 5 percent consumer loans. Hometown Bank's strategy over the evaluation period was to grow the loan portfolio through existing loan products within their AAs.

Competition in the banks three AAs is moderate to high. Major competitors within their AAs include Frandsen Bank & Trust, Wells Fargo, and Minnwest Bank. These bank's range in size from community banks to large banks. See Appendix B for details on Hometown Bank's rank based on deposit share for each AA among its competitors.

Hometown Bank received a "Satisfactory" rating on its last CRA examination dated February 15, 2012. No legal, regulatory, or financial limitations are evident which would preclude Hometown Bank from helping to serve the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated Hometown Bank's CRA performance utilizing small bank performance standards. The bank's CRA performance was assessed under the lending test and focused on the bank's primary loan products based on loan originations and purchases from January 1, 2015, to December 31, 2016.

Hometown Bank has three AAs in the state of Minnesota. They are the Minneapolis, MN Metropolitan Statistical Area (MSA) AA, the MN Non-MSA AA, and the Mankato MSA AA. Each AA is explained further within Appendix B: Community Profiles for Full-Scope Areas. The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low-or moderate-income (LMI) census tracts (CTs).

We determined Hometown Bank’s primary loan products for each AA by reviewing a loan origination report, provided by the bank, during the evaluation period. Primary products are listed in bold on the following tables.

Loan Originations and Purchases in 2015 and 2016 in the Minneapolis MSA		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Residential Real Estate	27.76%	55.34%
Consumer	50.59%	10.65%
Commercial	16.53%	28.71%
Agriculture	5.12%	5.29%

Source: Bank loan origination report for 2015 and 2016

Loan Originations and Purchases in 2015 and 2016 in the Minnesota Non-MSA		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Residential Real Estate	17.51%	31.41%
Agriculture	14.61%	33.64%
Consumer	46.14%	9.52%
Commercial	21.74%	25.43%

Source: Bank loan origination report for 2015 and 2016

Loan Originations and Purchases in 2015 and 2016 in the Mankato MSA		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Residential Real Estate	18.89%	29.27%
Consumer	56.22%	5.93%
Commercial	19.78%	27.64%
Agriculture*	5.11%	37.17%

Source: Bank loan origination report for 2015 and 2016

*This loan type was not selected as a primary product as the number of different borrowers was too insignificant to conduct a meaningful analysis.

Data Integrity

We used loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2015, through December 31, 2016, to analyze Lending Test performance for residential real estate loans in all three AAs. We previously tested the collected HMDA data and found the information to be reliable. As a result, the data was used in this evaluation.

Selection of Areas for Full-Scope Review

To evaluate Hometown Bank’s lending performance we completed a full scope review on all three AAs. Examiners sampled 20 primary product loans in each applicable AA. Additional loans were selected as needed to have sufficient information to analyze borrower and geographic distributions within each AA. All loans originated and purchased in 2015 and 2016 were compared to 2016 peer data and 2010 census information.

Ratings

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

The Minneapolis MSA AA carried the most weight in assigning the overall rating as it contains 57 percent of the loan originations and purchases from January 1, 2015 to December 31, 2016 and 53 percent of total deposits as of June 30, 2017. The MN Non-MSA AA carries the second most weight as it contains 27 percent of the loan originations and purchases over the same period and 35 percent of total deposits as of June 30, 2017. The Mankato MSA AA carries the least weight as it contains 16 percent of the loan originations and purchases over the same period and 12 percent of total deposits as of June 30, 2017.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's overall lending performance is satisfactory. The bank's loan-to-deposit ratio is reasonable and a majority of the bank's loans are within the AA. Additionally, the geographic distribution represents reasonable dispersion to geographies of different income levels and the distribution of loans to borrowers of different income level reflects a reasonable penetration within the bank's AAs.

Loan-to-Deposit Ratio

Hometown Bank's LTD ratio is reasonable given their size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 82.50 percent over the past 22 quarters since the last CRA examination. The LTD ratio ranged from a high of 90.94 percent in the second quarter of 2017 and a low of 76.38 percent in the third quarter of 2013. Hometown Bank's LTD ratio ranks first among five similarly situated banks. Similarly situated banks include those operating in the bank's AAs with similar asset sizes.

Loan-to-deposit Ratio Institution (Headquarters)	Assets as of 06/30/17 (\$000s)	Average LTD Ratio (%)
<i>Hometown Bank (Redwood Falls, MN)</i>	\$279,151	82.50
F&M Bank Minnesota (Olivia, MN)	\$122,595	77.16
Cornerstone State Bank (Montgomery, MN)	\$161,825	70.56
First National Bank of Minnesota (Saint Peter, MN)	\$201,900	69.69
The Wanda State Bank (Wanda, MN)	\$129,027	62.32
The Nicollet County Bank of Saint Peter (Saint Peter, MN)	\$179,157	51.35

Source: Call Report data as of June 30, 2017.

Lending in Assessment Area

The bank originates a majority of its loans inside its designated AAs. A random sample of 40 consumer loans, 20 agriculture loans, and all HMDA loans were analyzed to determine the bank's lending in its AAs. The following table illustrates the number and dollar amount of loans originated inside and outside the bank's AAs during the evaluation period.

Lending in Hometown Bank's AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
HMDA loans	588	72.59	222	27.41	810	86,930	67.52	41,808	32.48	128,738
Ag. Loans	19	95.00	1	5.00	20	4,596	99.46	25	0.54	4,621
Consumer Loans	35	87.50	5	12.50	40	403	94.32	24	5.68	427
Totals	642	73.79	228	26.21	870	91,929	68.71	41,857	31.29	133,786

Source: OCC Loan Samples; HMDA Data

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and farms of different sizes when compared to the aggregate lending data and AA demographics.

Minneapolis MSA

Borrower Distribution of Residential Real Estate Loans

The borrower distribution of residential real estate loans reflects reasonable penetration. The distribution of residential real estate loans to LMI borrowers is near both aggregate HMDA reportable banks in the AA as well as the percentage of LMI families living in the AA.

Borrower Distribution of Residential Real Estate Loans in Minneapolis MSA			
Borrower Income Level	% of Number of Loans*	% Aggregate Lenders**	% of AA Families
Low	6.46	7.58	13.81
Moderate	16.62	17.96	16.38
Middle	24.92	22.03	25.49
Upper	50.15	37.52	44.32

Source: HMDA Data; 2016 Peer Lending Data; 2010 U.S. Census Data

*For 1.85% of borrowers, income was not available

**For 14.91% of borrowers, income was not available

Borrower Distribution of Consumer Loans

The borrower distribution of consumer loans reflects excellent penetration. The distribution of consumer loans to LMI borrowers significantly exceeds the percentage of LMI households living in the AA.

Borrower Distribution of Consumer Loans in Minneapolis MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	15.93	31.76	14.36	28.33	20.70	28.33	49.01	11.67

Source: OCC Loan Sample; 2010 Demographic Data

MN Non-MSA

Borrower Distribution of Agriculture Loans

The distribution of farm loans reflects reasonable penetration among farms of different sizes. The bank's performance was near the aggregate peer data by number, but was below peer by dollar volume.

Borrower Distribution of Loans to Farms in Minnesota Non-MSA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98.10	1.12	0.78	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	58.72	41.28	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

Borrower Distribution of Residential Real Estate Loans

The borrower distribution of residential real estate loans reflects reasonable penetration. The distribution of residential real estate loans to LMI borrowers is near both aggregate HMDA reportable banks in the AA as well as the percentage of LMI families living in the AA.

Borrower Distribution of Residential Real Estate Loans in Minnesota Non-MSA			
Borrower Income Level	% of Number of Loans*	% Aggregate Lenders**	% of AA Families
Low	4.37	12.18	18.66
Moderate	19.90	22.95	19.30
Middle	19.42	22.82	24.07
Upper	53.40	25.64	37.97

Source: HMDA Data; 2016 Peer Lending Data; 2010 U.S. Census Data

*For 2.91% of borrowers, income was not available

**For 16.41% of borrowers, income was not available

Mankato MSA

Borrower Distribution of Residential Real Estate Loans

The borrower distribution of residential real estate loans reflects reasonable penetration. The distribution of residential real estate loans to LMI borrowers is near both aggregate HMDA reportable banks in the AA as well as the percentage of LMI families living in the AA.

Borrower Distribution of Residential Real Estate Loans in Mankato MSA			
Borrower Income Level	% of Number of Loans*	% Aggregate Lenders**	% of AA Families
Low	3.51	10.90	15.15
Moderate	19.30	22.15	16.49
Middle	29.82	25.47	28.06
Upper	36.84	29.33	40.30

Source: HMDA Data; 2016 Peer Lending Data; 2010 U.S. Census Data

*For 10.53% of borrowers, income was not available

**For 12.15% of borrowers, income was not available

Borrower Distribution of Consumer Loans

The borrower distribution of consumer loans reflects excellent penetration. The distribution of consumer loans to LMI borrowers significantly exceeds the percentage of LMI households living in the AA.

Borrower Distribution of Consumer Loans in Mankato MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	18.06	55.00	14.61	20.00	20.66	10.00	46.67	15.00

Source: OCC Loan Sample; 2010 Demographic Data

Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout CTs of different income levels.

Minneapolis MSA

Geographic Distribution of Residential Real Estate Loans

The geographic distribution of residential real estate loans reflects reasonable dispersion throughout different income level census tracts. The bank's lending performance is near both aggregate HMDA reportable banks in the AA as well as the demographic comparator in lending to moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Minneapolis MSA			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner-Occupied Housing
Low	0.00	0.00	0.00
Moderate	5.23	9.12	10.42
Middle	67.38	42.65	47.44
Upper	27.38	48.23	42.14

Source: HMDA Data; 2016 Peer Lending Data; 2010 U.S. Census Data

Geographic Distribution of Consumer Loans

The geographic distribution of consumer loans reflects poor dispersion throughout the AA. The bank's performance was below the demographic comparator. However, considering the poverty rate of 11.65 percent in the moderate income CTs, geographic barriers related to rural areas, and other financial institutions located within the moderate income CTs, the bank's performance is reasonable. Our geographic distribution analysis included a review of lending gaps, particularly in the moderate-income areas. We did not find any unexplained conspicuous gaps in the Minneapolis AA.

Geographic Distribution of Consumer Loans in Minneapolis MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	12.82	3.33	49.06	76.67	38.12	20.00

Source: OCC Loan Sample; 2010 Demographic Data.

MN Non-MSA

Geographic Distribution of Agriculture Loans

The geographic distribution of farm loans reflects excellent dispersion throughout the AA. The bank's performance significantly exceeds the demographic comparator.

Geographic Distribution of Loans to Farms in Minnesota Non-MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	0.00	0.00	1.12	15.00	98.88	85.00	0.00	0.00

Source: Loan sample; Dun and Bradstreet data; 2010 US Census Data

Geographic Distribution of Residential Real Estate Loans

The geographic distribution of residential real estate loans reflects reasonable dispersion throughout different income level census tracts. The bank's lending performance exceeds both aggregate HMDA reportable banks in the AA as well as the demographic comparator in lending to moderate-income census tracts.

Geographic Distribution of Residential Real Estate Loans in Minnesota Non-MSA			
Borrower Income Level	% of Number of Loans	% Aggregate Lenders	% of AA Owner-Occupied Housing
Low	0.00	0.00	0.00
Moderate	11.17	8.80	6.24
Middle	88.83	91.20	93.76
Upper	0.00	0.00	0.00

Source: HMDA Data; 2016 Peer Lending Data; 2010 U.S. Census Data

Mankato MSA

We did not complete an analysis of the geographic distribution of lending in the bank's Mankato MSA AA as all the census tracts in the AA are middle- or upper-income tracts. Loan data shows that Hometown bank is servicing their Mankato MSA AA.

Responses to Complaints

During this evaluation period, there were no complaints related to Hometown Bank's performance in meeting AA credit needs.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test (excludes CD loans): (01/01/2015 to 12/31/2016)	
Financial Institution	Products Reviewed	
Hometown Bank Redwood Falls, MN	Residential Real Estate, Consumer, Agriculture	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Minneapolis MSA #33460	Full Scope	Carver, Le Sueur, Scott, and Sibley Counties
MN Non-MSA	Full Scope	Redwood and Renville Counties
Mankato MSA #31860	Full Scope	Nicollet County

Appendix B: Community Profiles for Full-Scope Areas

Minneapolis MSA

Demographic Information for Full Scope Area: Minneapolis MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	50	0.00	14.00	46.00	40.00	0.00
Population by Geography	263,899	0.00	11.70	46.75	41.55	0.00
Owner-Occupied Housing by Geography	78,875	0.00	10.42	47.44	42.14	0.00
Business by Geography	18,323	0.00	10.52	44.75	44.73	0.00
Farms by Geography	1,621	0.00	18.01	57.31	24.68	0.00
Family Distribution by Income Level	69,644	13.81	16.38	25.49	44.32	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	21,029	0.00	20.60	53.71	25.70	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		79,301 85,200 5%	Median Housing Value Unemployment Rate (2010 US Census)		266,234 2.97%	

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

Source: 2010 US Census and 2016 FFIEC updated MFI

The Minneapolis MSA AA consists of 50 contiguous CTs which make up the full counties of Carver, Le Sueur, Scott, and Sibley. Hometown Bank has six branches and six ATMs located in this AA. Based on 2010 U.S. Census data the AA consists of seven moderate-income CTs, 23 middle-income CTs, and 20 upper-income CTs. There are no low-income CTs within the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any LMI CTs.

The Minneapolis MSA has a strong, diversified economy. The Minneapolis-St. Paul area has been experiencing steady growth in recent years. The largest employers in the area are the University of Minnesota-Twin Cities, 3M Co., Target Stores Inc., Park Nicollet, and Thomson Reuters. Unemployment in the Minneapolis MSA for 2016 was 3.0 percent. This is in line with the state of Minnesota unemployment rate of 3.8 percent. The national unemployment rate is 4.6 percent for 2016.

Competition among financial institutions in the Minneapolis MSA AA is high with 37 financial institutions holding \$1.7 billion in deposits as of June 30, 2017. Per the FDIC Deposit Market Share Report, Hometown bank ranked seventh in the AA with a 2.68 percent market share.

MN Non-MSA

Demographic Information for Full Scope Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	8.33	91.67	0.00	0.00
Population by Geography	31,789	0.00	6.95	93.05	0.00	0.00
Owner-Occupied Housing by Geography	10,401	0.00	6.24	93.76	0.00	0.00
Business by Geography	2,162	0.00	8.51	91.49	0.00	0.00
Farms by Geography	895	0.00	1.12	98.88	0.00	0.00
Family Distribution by Income Level	8,830	18.66	19.30	24.07	37.97	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,352	0.00	9.04	90.96	0.00	0.00
Median Family Income		57,683	Median Housing Value	94,005		
FFIEC Adjusted Median Family Income for 2016		63,800	Unemployment Rate	2.85%		
Households Below Poverty Level		11%	(2010 US Census)			

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

Source: 2010 US Census and 2016 FFIEC updated MFI

The MN Non-MSA AA consists of 12 contiguous CTs which make up the full counties of Redwood and Renville. Hometown Bank has two branches and two ATMs located in this AA. Based on 2010 U.S. Census data the AA consists of one moderate-income CT and 11 middle-income CTs. There are no low- or upper- income CRs within the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any LMI CTs.

The MN Non-MSA has a favorable and diversified economy. The largest industries in the area are healthcare, manufacturing, and agriculture. Unemployment in the MN Non-MSA for 2016 was 2.9 percent. This is in line with the state of Minnesota unemployment rate of 3.8 percent. The national unemployment rate is 4.6 percent for 2016.

Competition among financial institutions in the MN Non-MSA AA is moderate with 17 financial institutions holding \$342 million in deposits as of June 30, 2017. Per the FDIC Deposit Market Share Report, Hometown bank ranked fourth in the AA with a 7.50 percent market share.

We contacted a member of Redwood County Economic Development to gain a better understanding of community credit needs and opportunities. The contact indicated that current economic conditions are favorable. The contact also indicated there are a large number of families moving to the area and as a result, there is a need for affordable housing. In addition, they mentioned local banks and financial institutions are doing a great job of meeting community credit needs.

Mankato MSA

Demographic Information for Full Scope Area: Mankato MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	0.00	85.71	14.29	0.00
Population by Geography	32,727	0.00	0.00	90.28	9.72	0.00
Owner-Occupied Housing by Geography	9,026	0.00	0.00	89.65	10.35	0.00
Business by Geography	1,792	0.00	0.00	90.23	9.77	0.00
Farms by Geography	325	0.00	0.00	99.08	0.92	0.00
Family Distribution by Income Level	8,018	15.15	16.49	28.06	40.30	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,537	0.00	0.00	93.06	6.94	0.00
Median Family Income	66,038	Median Housing Value		169,641		
FFIEC Adjusted Median Family Income for 2016	76,700	Unemployment Rate		2.47%		
Households Below Poverty Level	10%	(2010 US Census)				

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

Source: 2010 US Census and 2016 FFIEC updated MFI

The Mankato MSA AA consists of seven contiguous CTs which make up Nicollet county. Hometown Bank has one branch and one ATM located in this AA. Based on 2010 U.S. Census data the AA consists of six middle-income CTs and one upper-income CT. There are no low- or moderate-income CTs within the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any LMI CTs.

The Mankato MSA has a strong, diversified economy. The Mankato, North Mankato, and St. Peter area has experienced steady growth over the last few years. The largest employers in the area include Taylor Companies, Mayo Clinic Health System, Minnesota State University-Mankato, Saint Peter Regional Treatment, and Cambria. Unemployment in the Mankato MSA for 2016 was 2.5 percent. This is well below the state of Minnesota unemployment rate of 3.8 percent. The national unemployment rate is 4.6 percent for 2016.

Competition among financial institutions in the Mankato MSA AA is moderate with 10 financial institutions holding \$1.2 billion in deposits as of June 30, 2017. Per the FDIC Deposit Market Share Report, Hometown bank ranked eighth in the AA with a 4.96 percent market share.