

**CRA
PUBLIC FILE**

THE STATE BANK GROUP

2024

RSSD ID # 285348

FDIC CERTIFICATE # 22971

CRA PUBLIC FILE

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SECTION 1

WRITTEN COMMENTS RECEIVED FROM THE PUBLIC AND EACH OF THE PRIOR TWO CALENDAR YEARS

No comments have been received from the public for the current year and each of the prior two calendar years.

SECTION 2

**CRA PERFORMANCE
EVALUATION**

THE STATE BANK GROUP

8/27/2018

(SEE FOLLOWING PAGES)

PUBLIC DISCLOSURE

August 27, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State Bank
Certificate Number: 22971

7526 Hancock Drive
Wonder Lake, Illinois 60097

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of loans to borrowers reflects reasonable penetration of loans among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the previous evaluation dated November 26, 2012, to the current evaluation dated August 27, 2018. Examiners used the Interagency Small Institution CRA Examination Procedures to evaluate State Bank's CRA performance. These procedures are comprised of the Small Bank Lending Test which considers the institution's performance according to the following criteria:

- Loan-to-deposit ratio,
- Assessment area concentration,
- Geographic distribution,
- Borrower profile, and
- Response to CRA-related complaints.

Loan Products Reviewed

A review of State Bank's Consolidated Reports of Condition and Income (Call Report) and loan origination records, during the evaluation period, revealed that the major loan products are home mortgage and small business loans. Examiners considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period in reaching the

conclusion. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

The bank's Call Report as of June 30, 2018, indicated that 1-4 family residential real estate loans represent 50.9 percent of the loan portfolio. Commercial and industrial loans represent 10.6 percent of the loan portfolio. No other loan types, such as agricultural loans, represent a major product line. Therefore, they would not add value to the analyses and were not reviewed.

Examiners analyzed the universe of home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers in 2016 and 2017. The bank reported 70 originations totaling approximately \$12.5 million in 2016 and 100 originations totaling approximately \$19.9 million in 2017. The \$7.4 million increase in originations from 2016 to 2017 is primarily attributable to State Bank's acquisition of a financial institution on August 1, 2016.

State Bank is not subject to CRA small business loan data reporting requirements. Examiners selected samples of small business loans originated or renewed from January 1, 2016 through June 30, 2018 for review. The small business loan sample included 39 loans totaling \$5.1 million in 2016, 25 loans totaling \$3.2 million in 2017, and 16 loans totaling \$2.9 million in the first six months of 2018.

State Bank's record of originating home mortgage loans contributed more weight to the overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period. Examiners analyzed and presented the number and dollar volume of reviewed loans. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served.

DESCRIPTION OF INSTITUTION

Background

State Bank is headquartered in Wonder Lake, Illinois and operates northwest of Chicago in McHenry County. The bank is 100 percent owned by Wonder Bancorp, Inc., a one-bank holding company. State Bank received a Satisfactory rating at its previous evaluation, dated November 26, 2012, based on the Interagency Small Institution CRA Examination Procedures.

Operations

In addition to its main office, State Bank operates seven full-service branch offices located in Wonder Lake, Johnsburg, Spring Grove, Lakemoor, Hebron, and two branches in Harvard, Illinois. All eight offices have automated teller machines (ATMs). State Bank offers a full range of deposit and loan products to the communities it serves. Additional services include internet banking, mobile banking, and 24-hour telephone banking services. The hours of operation provide reasonable access to customers. State Bank acquired Harvard Savings Bank, Harvard, Illinois in August 2016. They subsequently closed a branch office located in Morris, Illinois on December 8, 2016, which was obtained through the acquisition.

Ability and Capacity

According to the bank's June 30, 2018, Call Report, State Bank reported approximately \$240.4 million in total assets, \$147.7 million in total loans, and \$206.2 million in total deposits. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 06/30/2018		
Loan Category	\$(000s)	%
Construction and Land Development	4,232	2.9
Secured by Farmland	9,261	6.3
Secured by 1-4 Family Residential Properties	75,180	50.9
Secured by Multifamily (5 or more) Residential Properties	383	0.2
Secured by Nonfarm Nonresidential Properties	29,554	20.0
Total Real Estate Loans	118,610	80.3
Commercial and Industrial Loans	15,657	10.6
Agricultural Loans	10,280	6.9
Consumer Loans	1,864	1.3
Other Loans	1,373	0.9
Less: Unearned Income	37	0.0
Total Loans	147,747	100.0
<i>Source: Call Report</i>		

Examiners did not identify any financial, legal, or other impediments that may affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. State Bank's designated assessment area is comprised of 48 contiguous census tracts located in four counties in the northern portion of Illinois and southern portion of Wisconsin. The breakdown of the assessment area is as follows: 28 census tracts are located in McHenry County, Illinois, 11 census tracts are located in Lake County, Illinois, 5 census tracts are located in Walworth County, Wisconsin, and 4 census tracts are located in Kenosha County, Wisconsin.

The assessment area contains contiguous geographies, does not arbitrarily exclude any low- or moderate-income geographies, and meets the CRA regulation requirements. McHenry County is located in the Chicago-Naperville-Arlington Heights, IL Metropolitan Division (Chicago MD). Lake County, Illinois and Kenosha County, Wisconsin are located in the Lake County-Kenosha County, IL-WI Metropolitan Division (Kenosha MD). Both MD's are part of the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (MSA), whereas Walworth County is not part of an MSA. The census tracts in Wisconsin are not substantially outside the assessment area or Illinois; therefore, a separate assessment area is not required.

Examiners used demographic data from the 2010 U.S. Census and the 2015 American Community Survey (ACS). The 2010 U.S. Census data is used for comparison when analyzing the bank’s 2016 lending; and the 2015 ACS data is used for comparison to the 2017 lending.

Economic and Demographic Data

Based on the 2010 U.S. Census demographic data, the assessment area’s 48 census tracts reflect the following income designations:

- 2 moderate-income tracts,
- 34 middle-income tracts, and
- 12 upper-income tracts.

The following table illustrates select 2010 U.S. Census demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	48	0.0	4.2	70.8	25.0	0.0
Population by Geography	264,855	0.0	3.0	70.4	26.6	0.0
Housing Units by Geography	111,293	0.0	2.9	71.6	25.5	0.0
Owner-Occupied Units by Geography	78,831	0.0	2.4	71.3	26.3	0.0
Occupied Rental Units by Geography	19,312	0.0	5.4	73.2	21.4	0.0
Vacant Units by Geography	13,150	0.0	2.0	70.8	27.2	0.0
Businesses by Geography	14,296	0.0	3.4	63.7	32.9	0.0
Farms by Geography	774	0.0	2.8	71.3	25.9	0.0
Family Distribution by Income Level	70,042	17.1	16.8	24.2	41.9	0.0
Household Distribution by Income Level	98,143	19.9	15.9	19.4	44.8	0.0
Median Family Income - Chicago-Naperville-Arlington Heights, IL MD		\$78,276	Median Housing Value			\$236,576
Median Family Income – Lake County-Kenosha County, IL-WI MD		\$94,111	Median Gross Rent			\$1,000
Median Family Income - Non-MSA Wisconsin		\$57,519	Families Below Poverty Level			5.9
<i>Source: 2010 U.S. Census and 2016 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The table shows that there are lower levels of owner-occupied housing units in moderate-income geographies in the assessment area (2.4 percent). This data highlights some obstacles financial institutions might face in originating home mortgage loans in moderate-income geographies.

The 2016 and 2017 FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The following table contains information on the median family incomes by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Chicago-Naperville-Arlington Heights, IL (16974)				
2016 (\$74,700)	<\$37,350	\$37,350 to <\$59,760	\$59,760 to <\$89,640	≥\$89,640
2017 (\$75,350)	<\$37,675	\$37,675 to <\$60,280	\$60,280 to <\$90,420	≥\$90,420
Lake County-Kenosha County, IL-WI (29404)				
2016 (\$85,000)	<\$42,500	\$42,500 to <\$68,000	\$68,000 to <\$102,000	≥\$102,000
2017 (\$91,600)	<\$45,800	\$45,800 to <\$73,280	\$73,280 to <\$109,920	≥\$109,920

Source: FFIEC

There are 111,293 housing units in the assessment area. Of these, 70.8 percent are owner-occupied, 17.4 percent are occupied rental units, and 11.8 percent are vacant. For the geographic distribution criterion, examiners compare the distribution of home mortgage loans to the distribution of owner-occupied housing units by census tract level.

According to 2016 D&B data, there are 14,296 businesses in the assessment area. Services, retail trade, and construction make up a majority of the employers in the assessment area. Since the prior evaluation, there has been an overall decrease in businesses (13.3 percent) within the assessment area.

The analysis of small business loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses by gross annual revenues (GARs). According to 2016 D&B, the GARs for the businesses in the assessment area are as follows:

- 84.7 percent have \$1 million or less,
- 7.0 percent have greater than \$1 million, and
- 8.3 percent have unknown revenues.

According to the 2015 ACS data, the number of census tracts in the assessment area remained the same, at 48. The income levels for the census tracts are reflected below:

- 7 moderate-income tracts,
- 34 middle-income tracts, and
- 7 upper-income tracts.

Noted changes in the assessment area included an increase in moderate-income census tracts (5) and a decrease in upper-income census tracts (5). The following table illustrates 2015 ACS demographic data of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	48	0.0	14.6	70.8	14.6	0.0
Population by Geography	265,472	0.0	11.2	74.5	14.3	0.0

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Housing Units by Geography	113,410	0.0	10.8	76.0	13.2	0.0
Owner-Occupied Units by Geography	75,692	0.0	9.5	75.5	15.0	0.0
Occupied Rental Units by Geography	23,178	0.0	16.2	73.9	9.9	0.0
Vacant Units by Geography	14,540	0.0	9.0	82.5	8.5	0.0
Businesses by Geography	14,680	0.0	9.9	70.9	19.2	0.0
Farms by Geography	823	0.0	8.0	79.5	12.5	0.0
Family Distribution by Income Level	70,655	19.1	18.1	22.5	40.3	0.0
Household Distribution by Income Level	98,870	20.6	16.2	19.5	43.7	0.0
Median Family Income - Chicago-Naperville-Arlington Heights, IL MD		\$81,994	Median Housing Value			\$199,007
Median Family Income -- Lake County-Kenosha County, IL-WI MD		\$97,317	Median Gross Rent			\$1,040
Median Family Income Non-MSA Wisconsin		\$61,316	Families Below Poverty Level			6.9

Source: 2015 ACS Data and 2016 D&B Data. () The NA category consists of geographies that have not been assigned an income classification.*

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2016 year-end unemployment rate was 5.8 percent statewide. Refer to the following table for the unemployment rates by counties and MDs within the assessment area.

2016 - Unemployment Rates	
Area	%
McHenry County	5.2
Lake County	5.1
Kenosha County	4.6
Chicago-Naperville-Arlington Heights, IL MD	5.1
Lake County-Kenosha County, IL-WI MD	5.0
Illinois	5.3
Wisconsin	3.3
National Average	4.9

Source: Bureau of Labor Statistics

The Bureau of Labor Statistics data also showed that unemployment rates continued to decrease during the review period suggesting the economy slowly continues to improve. The Chicago MD is a major distribution, transportation, and financial center. According to Moody's Analytics, Illinois' lawmakers passed an on-time fiscal 2019 budget after the state went without enacted spending plans for fiscal 2016 and 2017. This should ease the uncertainty that has clouded Chicago's outlook. The Chicago MD's expansion is maturing but underperforming the nation and other major metro areas and divisions. Slower job growth partly reflects a tighter job market, with job creation ahead of labor force gains and age growth accelerating. The unemployment rate is on its way down and flirting with its historic low of 4.4 percent. The apartment building boom has spread beyond Chicago's urban core to the suburbs, while the single-family home market is still recovering.

The State of Illinois' economy is on a stronger footing than it was in 2017, but the state still has a long way to go and lags behind its Midwest peers. The near-term outlook is promising for manufacturing. Industry employment has risen in nine of the past 12 months, recovering the net number of factory jobs lost during the 2015 commodities bust, and then some. The following table depicts unemployment rates by counties and MDs for 2017.

2017 - Unemployment Rates	
Area	%
McHenry County	4.5
Lake County	4.4
Kenosha County	3.8
Chicago-Naperville-Arlington Heights, IL MD	4.9
Lake County-Kenosha County, IL-WI MD	4.3
Illinois	4.7
Wisconsin	2.7
National Average	4.4
<i>Source: Bureau of Labor Statistics</i>	

Competition

The assessment area reflects a highly competitive market for financial services. The FDIC Deposit Market Share data as of June 30, 2017, reported 108 offices of 28 financial institutions operating within McHenry County. State Bank maintains a 3.3 percent deposit market share, ranking 9th in the assessment area.

In addition, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. According to 2017 aggregate mortgage data, 403 lenders reported a total of 10,374 home mortgage loan originations and purchases in the assessment area. Of these lenders, State Bank ranked 35th with a 0.7 percent market share. The top five mortgage lenders accounted for 26.4 percent of the total market share. This high level of competition is also noted in the seven moderate-income census tracts in the assessment area where 2017 aggregate data indicated 155 lenders reported a total of 834 home mortgage originations and purchases. Of these lenders, State Bank ranked 13th with a 1.7 percent market share. The top five mortgage lenders accounted for 24.1 percent of the total market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs and what credit opportunities are available.

Examiners reviewed an interview conducted with a representative in the assessment area. The contact stated that there has been an upward trend in women-and minority-owned businesses in the community. The contact also stated there is a need for financial institutions to participate in small business development seminars, as well as, to develop their own educational seminars to assist small businesses in the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business lending for women- and minority-owned businesses represent a primary credit need for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. State Bank's net LTD ratio, calculated from Call Report data, averaged 72.5 percent over the past 23 calendar quarters from December 31, 2012, to June 30, 2018. The LTD ratio ranged from a low of 61.3 percent as of December 31, 2012, to a high of 86.5 percent as of June 30, 2017.

Examiners compared State Bank's average net LTD ratio to five similarly-situated institutions (SSIs) based on asset size, area served, and lending focus. State Bank's ratio compares favorably and was higher than two of the five SSIs. The net LTD ratios of these five institutions averaged 73.7 percent; and the average net LTD ratio of these institutions ranged from 62.5 percent to 82.6 percent.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2018 (\$000s)	Average Net LTD Ratio (%)
State Bank	240,429	72.5
Similarly-Situated Institution #1	226,134	62.5
Similarly-Situated Institution #2	591,547	80.1
Similarly-Situated Institution #3	213,017	69.1
Similarly-Situated Institution #4	540,188	74.0
Similarly-Situated Institution #5	150,081	82.6

Source: Call Reports 12/31/2012 through 06/30/2018.

Assessment Area Concentration

State Bank made a majority of its home mortgage and small business loans by number and dollar volume within its assessment area. Details are provided in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	46	65.7	24	34.3	70	7,163	57.5	5,294	42.5	12,457
2017	74	74.0	26	26.0	100	15,349	77.3	4,516	22.7	19,865
Subtotal	120	70.6	50	29.4	170	22,512	69.6	9,810	30.4	32,322
Small Business*										
2016	27	69.2	12	30.8	39	3,805	73.9	1,344	26.1	5,149
2017	20	80.0	5	20.0	25	2,484	78.1	697	21.9	3,181
2018	9	56.3	7	43.7	16	1,112	38.0	1,815	62.0	2,927
Subtotal	56	70.0	24	30.0	80	7,401	65.7	3,856	34.3	11,257

Source: HMDA Data; *Bank Data.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The analyses focus on home mortgage and small business loans originated within moderate-income census tracts, and considered only loans originated in the assessment area. Both the home mortgage and small business loan analyses with excellent performance support the conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Performance under this criterion is compared to the 2010 U.S. Census and 2015 ACS demographic data and aggregate HMDA data. Aggregate data provides a better depiction of demand as it represents the lending of all HMDA reporters in the assessment area.

In 2016, the bank's home mortgage lending performance in moderate-income census tracts (at 8.7 percent) significantly exceeds both aggregate lending performance and the demographic (owner occupied housing), at 1.5 and 2.4 percent, respectively. In 2017, the lending performance in moderate-income census tracts (at 18.9 percent) significantly exceeds both aggregate lending performance and the demographic, at 8.0 and 9.5 percent, respectively.

When considering the acquisition, wherein State Bank acquired two full-service branch offices located in a moderate-income census tracts in August 2016, and the high level of competition discussed previously, performance is excellent. Prior to the acquisition, State Bank had six offices all located in middle- and upper-income census tracts. The following table shows the geographic distribution of home mortgage loans by census tract income level in 2016 and 2017.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Bank			
			#	%	\$(000s)	%
Moderate						
2016	2.4	1.5	4	8.7	337	4.7
2017	9.5	8.0	14	18.9	1,672	10.9
Middle						
2016	71.3	70.6	31	67.4	4,881	68.1
2017	75.5	77.8	52	70.3	11,984	78.1
Upper						
2016	26.3	27.9	11	23.9	1,945	27.2
2017	15.0	14.2	8	10.8	1,693	11.0
Totals						
2016	100.0	100.0	46	100.0	7,163	100.0
2017	100.0	100.0	74	100.0	15,349	100.0

Source: 2010 U.S. Census and 2015 ACS Data; HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The table shows the distribution of small business loans by census tract income level and the distribution of businesses in the assessment area by census tract for comparison.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses*	Bank			
		#	%	\$(000s)	%
Moderate					
2016	3.4	8	29.6	752	19.8
2017	9.9	6	30.0	686	27.6
2018	-	1	11.1	8	0.7
Middle					
2016	63.7	12	44.4	1,618	42.5
2017	70.9	12	60.0	1,373	55.3
2018	-	6	66.7	439	39.5
Upper					
2016	32.9	7	25.9	1,435	37.7
2017	19.2	2	10.0	425	17.1
2018	-	2	22.2	665	59.8
Totals					
2016	100.0	27	100.0	3,805	100.0
2017	100.0	20	100.0	2,484	100.0
2018	-	9	100.0	1,112	100.0

*Source: 2010 U.S. Census & 2015 ACS; *D&B data; "-" Data not available. Due to rounding totals may not equal 100.0.*

In 2016 and 2017, the bank originated 29.6 percent and 30.0 percent of its small business loans in moderate income census tracts, respectively. This performance significantly exceeded the percent of businesses located in moderate-income census tracts in 2016 and 2017 (3.4 and 9.9 percent, respectively), and reflects excellent performance. Although demographic data is not yet available for 2018, the percentage of small business loans in moderate-income census tracts (11.1 percent) is favorably similar to the bank's performance in 2016 and 2017.

Borrower Profile

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels in the assessment area and to businesses of different sizes. The reasonable performance is primarily supported by the reasonable distribution of home mortgage loans. The distribution of small business loans reflects excellent performance. As previously mentioned, home mortgage loans are weighted more heavily due to the larger loan volume during the evaluation period. The analyses include only loans inside the assessment area.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects reasonable penetration, given the demographics of the assessment area. State Bank's performance is measured against the distribution of families in the assessment area by income level (demographic) and aggregate data. Examiners focused on the comparison to aggregate data as it is better indicator of borrowers seeking home mortgage financing.

In 2016, the bank's home mortgage lending to low-income borrowers trailed the demographic, while exceeding the aggregate performance. In 2017, lending to low-income borrowers remained steady but slightly trailed the aggregate and significantly lagged the demographic. The lending to moderate-income borrowers in 2016 significantly lagged both the aggregate performance and the demographic. In 2017, the lending to moderate-income borrowers significantly increased but is lower than both the aggregate performance and the demographic.

The bank's performance is affected to some extent by the percentage of low-income families with incomes below the poverty level in the assessment area. According to 2010 U.S. Census and 2015 ACS data, 5.9 and 6.9 percent of families in the assessment area live below the poverty level, respectively. Such families often have difficulty qualifying for a mortgage loan. Additionally, the median home value within the assessment area presents greater challenges to low- and moderate-income borrowers, resulting in home ownership becoming much more difficult. After considering the families living below the poverty level and the median home values within the assessment area, performance to low- and moderate-income borrowers is reasonable. The following table shows the distribution of home mortgage loans by borrower income level in 2016 and 2017.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	Bank			
			#	%	\$(000s)	%
Low						
2016	17.1	7.7	6	13.0	349	4.9
2017	19.1	9.3	5	6.8	242	1.6
Moderate						
2016	16.8	16.6	3	6.5	179	2.5
2017	18.1	21.2	13	17.6	1,269	8.3
Middle						
2016	24.2	21.3	6	13.0	1,501	20.9
2017	22.5	22.2	20	27.0	2,290	14.9
Upper						
2016	41.9	36.3	28	60.9	4,360	60.9
2017	40.3	31.2	30	40.5	10,062	65.5
Income Not Available						
2016	0.00	18.1	3	6.5	774	10.8
2017	0.00	16.2	6	8.1	1,486	9.7
Total						
2016	100.0	100.0	46	100.0	7,163	100.0
2017	100.0	100.0	74	100.0	15,349	100.0

Source: 2010 U.S. Census and 2015 ACS Data; HMDA Aggregate Data. Due to rounding totals may not equal 100.0.

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1 million or less. As indicated in the following table, State Bank made 88.9 percent of its small business loans in 2016 and 70.0 percent of its loans in 2017 to businesses with GARs of \$1 million or less. This performance exceeds the demographic (percent of businesses in the assessment area by GARs) in 2016 by 4.2 percent and trails the demographic by 14.6 percent in 2017. While demographic data is not yet available for 2018, bank data indicates the trend of lending to businesses with GARs of \$1 million or less is consistent with prior years. Of note is that the demographic reflects the percentage of businesses that exist in the assessment area and not those that are necessarily seeking financing. Many small businesses seek credit through other means such as credit cards, home equity loans or financing through suppliers.

Further, examiners compared the bank's performance to one SSI within McHenry and Lake Counties for the same timeframe. The bank's small business lending performance in these counties exceeds that of the SSI. Specifically, in 2016, the SSI originated 50.0 percent of its total small business loans located in McHenry and Lake Counties to businesses with GARs of \$1 million or less. By comparison, State Bank originated 92.3 percent of its total small business loans located in McHenry and Lake Counties to businesses with GARs of \$1 million or less.

The following table shows the distribution of small business loans originated by State Bank by GARs and by year.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses*	Bank			
		#	%	\$(000s)	%
≤ \$1,000,000					
2016	84.7	24	88.9	3,287	86.4
2017	84.6	14	70.0	1,284	51.7
2018	-	7	77.8	887	79.8
> \$1,000,000					
2016	7.0	2	7.4	517	13.5
2017	7.2	4	20.0	1,170	47.1
2018	-	1	11.1	200	18.0
Revenue Not Available					
2016	8.3	1	3.7	1	0.1
2017	8.2	2	10.0	30	1.2
2018	-	1	11.1	25	2.2
Total					
2016	100.0	27	100.0	3,805	100.0
2017	100.0	20	100.0	2,484	100.0
2018	-	9	100.0	1,112	100.0

Source: *D&B data, "-" Data not available.

Additionally, examiners noted that the bank originated four SBA 504 loans within its assessment area totaling approximately \$1.4 million during the review period. The bank's participation in SBA lending programs further supports the lending needs of local small businesses by providing long-term financing to acquire and improve major fixed assets, such as owner-occupied commercial real estate and heavy machinery.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous CRA evaluation; therefore, this criterion did not impact the bank's rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

GLOSSARY

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 metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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. Other family 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).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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.

Rated Area: A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

SECTION 3

BANK BRANCHES

Branch	MSA	County	Census Tract Income Level	ATM
Wonder Lake (East)	16984	McHenry	Moderate	Yes
Wonder Lake (West)	16984	McHenry	Middle	Yes
Spring Grove	16984	McHenry	Upper	Yes
Lakemoor	16984	McHenry	Middle	Yes
Johnsburg	16984	McHenry	Middle	Yes
Harvard Savings-Division	16984	McHenry	Moderate	Yes
Harvard Savings-Ayer	16984	McHenry	Moderate	Yes

Branch	Address	City	State	Zip Code	Census Tract
Wonder Lake (East)	7526 Hancock Drive	Wonder Lake	IL	60097	8705.02
Wonder Lake (West)	3316 Thompson Road	Wonder Lake	IL	60097	8704.04
Spring Grove	7500 Meyer Road	Spring Grove	IL	60081	8701.05
Lakemoor	500 W IL Route 120	Lakemoor	IL	60051	8707.02
Johnsburg	3503 Chapel Hill Road	Johnsburg	IL	60051	8706.04
Harvard Savings-Division	1400 N Division	Harvard	IL	60033	8703.01
Harvard Savings-Ayer	58 N Ayer	Harvard	IL	60033	8703.02

MSA/MD

16984 – Chicago-Naperville-Evanston, IL

SECTION 4

BRANCHES OPENED OR CLOSED BY THE BANK DURING THE CURRENT YEAR AND EACH OF THE PRIOR TWO CALENDAR YEARS

A branch located in Hebron, Illinois was closed on September 10, 2021. This branch was located in a middle-income census tract.

There were no branches opened in the previous two calendar years.

SECTION 5

HOURS OF OPERATION

BRANCH	LOBBY	DRIVE-UP
Wonder Lake-East 7526 Hancock Drive Wonder Lake, IL 60097	9:00 AM – 5:00 PM Monday – Thursday 9:00 AM – 6:00 PM Friday 9:00 AM – Noon	8:00 AM – 6:00 PM Monday – Friday 8:00 AM – 1:00 PM Saturday
Wonder Lake-West 3316 Thompson Road Wonder Lake, IL 60097	DRIVE-UP FACILITY ONLY	8:00 AM – 4:00 PM Monday – Friday CLOSED - Saturday
Spring Grove 7500 Meyer Road Spring Grove, IL 60081	9:00 AM – 5:00 PM Monday – Thursday 9:00 AM – 6:00 PM Friday 9:00 AM – Noon Saturday	8:00 AM – 6:00 PM Monday – Friday 8:00 AM – 1:00 PM Saturday
Lakemoor 500 W IL Route 120 Lakemoor, IL 60051	9:00 AM – 5:00 PM Monday – Thursday 9:00 AM – 6:00 PM Friday 9:00 AM – Noon	8:00 AM – 5:00 PM Monday – Thursday 8:00 AM – 6:00 PM Friday 8:00 AM – 1:00 PM Saturday
Johnsburg 3503 Chapel Hill Road Johnsburg, IL 60051	9:00 AM – 5:00 PM Monday – Thursday 9:00 AM – 6:00 PM Friday 9:00 AM – Noon Saturday	8:00 AM – 6:00 PM Monday – Friday 8:00 AM – 1:00 PM Saturday
Harvard Savings - Division 1400 North Division Harvard, IL 60033	DRIVE-UP FACILITY ONLY	8:00 AM – 6:00 PM Monday – Friday 8:00 AM – 1:00 PM Saturday
Harvard Savings – Ayer 58 North Ayer Harvard, IL 60033	9:00 AM – 5:00 PM Monday-Thursday 9:00 AM – 6:00 PM Friday 9:00 AM – Noon Saturday	NO DRIVE-UP

Each Branch has an ATM on its premises.

SECTION 5

LOAN PRODUCTS

COMMERCIAL LOANS

Agriculture

- Production
- Line of Credit
- Real Estate
- Term
- Farmer Mac

Lines of Credit

Commercial Real Estate

Commercial Installment

- Equipment
- Vehicle
- CD Installment

Commercial Loan Single Pay

Small Business Loans

Letter of Credit

Land Development and Acquisition

Multi-Family

Commercial Construction

- Owner-Occupied
- Speculation

Bridge Loans (Interim)

Business Credit Card

Tax-Exempt Financing

Vacant Land

CONSUMER LOANS

Overdraft Line of Credit

Home Equity Line of Credit

Mortgages

- Second Mortgages (Balloon)
- Consumer Fixed Real Estate (Quicken Loans)
- ARM Loans (Owner-Occupied)
- Fixed Rate Mortgage
- Construction
- Bridge Loans

Vacant Land

Consumer Installment

- Simple Interest CD
- Auto
- RV
- Boat
- Motorcycle

Student Loans

SECTION 5

DEPOSIT PRODUCTS

COMMERCIAL

Checking

Money Market

State and Political Checking

Government Accounts

- Money Market
- Checking

CONSUMER

HSA Accounts

Money Market

Personal Checking

Savings

Certificates of Deposit (CDs)

Traditional IRA

Interest-Earning Checking

SECTION 5

SERVICES

TELLER SERVICES	BOOKKEEPING SERVICES	DIGITAL SERVICES
Money Orders	Stop Payment	Internet Banking
Cashier's Checks	Statement Reconciliation	Mobile Banking <ul style="list-style-type: none"> • Bill Payment • P2P Services • Mobile Deposit
Certified Checks	Duplicate Statement	Telephone Banking
License Stickers	Photocopy	Remote Deposit
Coin Counting	Telephone Inquiries	On-Line Mortgage Applications
Notary	Telephone Transfers	ACH Origination
Safe Deposit Box*	Research	TSBG Card Control
Fax Transmittal	Collections	Quickbooks Integration
	Wire Transfers <ul style="list-style-type: none"> • Ingoing and Outgoing • Domestic and International 	Account-to-Account Transfers
		uChoose Rewards
		Online Account Opening
		Zelle®
<i>*Contents of Safe Deposit Box are not FDIC-insured.</i>		

SECTION 5

FEES – PAGE 1

Service	Fee
Account Closure (within 90 days of opening)	\$30.00
Account Reconciliation (1 hour minimum)	\$75.00 per hour
Account Research (1 hour minimum)	\$75.00 per hour
ATM/Debit Card and Transactions	
- Foreign Transaction – Customer	\$ 2.00
- Replacement Card-Standard Delivery	\$10.00
- Replacement Card-Rush Order	\$40.00
Cash/Coin Processing	
- Non-Customer (\$5 minimum)	5% of Total
Cashier’s Check (Customers only)	\$ 6.00
Certified Check	\$50.00
Charge Back (Returned Item)	\$15.00
Checks (Printed Temporary)	\$ 2.00 per check
Check Cashing – (Non-customer - \$5 minimum)	3% of Total
Check Copy	\$ 5.00
Check Printing – Dependent upon check style	\$29 - \$200
Collections (All Types)	\$55.00
Verification of Deposit	\$13.00
Excessive Transactions (<i>Withdrawals exceeding 6 per statement cycle are charged \$1 per withdrawal, for all types of withdrawals</i>)	\$1 per Item
Fax (\$5 minimum)	\$1 per page
Auction Bank Guarantee Letter	\$ 20
IRA Transfer (Outgoing)	\$30.00
Legal (Attachments, Levy, Subpoena, etc.)	\$150.00
Night Deposit Bag	\$25.00
Night Deposit Key	\$15.00
Overdraft Protection (Savings-to-checking transfer)	\$10.00
Personal Money Order (Customers Only)	\$ 5.00
Photocopies	\$0.50 per page
Printed Statement Fee (Printing and Mailing)	\$ 3.00
Return Mail	\$ 5.00 per month
Safe Deposit Boxes*	
- Safe Deposit Box Drilling	\$175.00
- Safe Deposit Key	\$ 25.00
Statement fee (Copy, current print-out, account history)	\$ 6.00
Stop Payment (Check or ACH)	\$35.00

SECTION 5 FEES – PAGE 2

Subordination Agreement	\$200.00
Telephone Funds Transfer (VRU free)	\$ 7.00
Wire Trace	\$80.00
Wire Transfer	
- Incoming (Domestic)	\$13.00
- Incoming (International)	\$35.00
- Outgoing (Domestic)	\$40.00
- Outgoing (International)	\$70.00
Foreign Currency Conversion Fee – Mastercard	0.2%
Cross-border Transaction Fee – Mastercard	0.9%
Zelle (Per Day Limit)	\$2,000.00
Zelle (Per Month Limit)	\$5,000.00
ATM Daily Cash Withdrawal Limit ¹	\$500.00
Point of Sale (POS) Daily Limit ²	\$3,000.00
Mobile Check Deposit (Daily Limit)	\$2,500.00
Mobile Check Deposit (Deposit Limit)	10 per Day
External Transfers	
- Standard and Next Day Outbound per Transaction	\$ 2.00
- Standard and Next Day Inbound	No Fee
Standard Limits	3 per Day
- Per Transaction	\$5,000.00
- Daily	\$5,000.00
- Monthly	\$10,000.00
Next Day Limits per Transaction	\$ 2,000.00
- Daily	\$2,000.00
- Per Transaction	
- Monthly	\$5,000.00
Overdraft Fees³	
Nonsufficient Funds (NSF) – Each Returned Item/Payment	
- Overdraft Fee (Paid)	\$ 35.00
- NSF Fee (Returned)	\$ 35.00
Inactive/Dormant Account Fee (Begins after 12 months with no account activity)	\$5.00 per month

*Contents of Safe Deposit Boxes are not FDIC-insured.

¹ The State Bank Group reserves the right to change dollar amount limits at any time upon prior notification. The terms of your account(s) may limit the number of withdrawals you may make each month. We reserve the right to impose limitations for security purposes at any time.

² The State Bank Group reserves the right to change dollar amount limits at any time upon prior notification. The terms of your account(s) may limit the number of withdrawals you may make each month. We reserve the right to impose limitation for security purposes at any time.

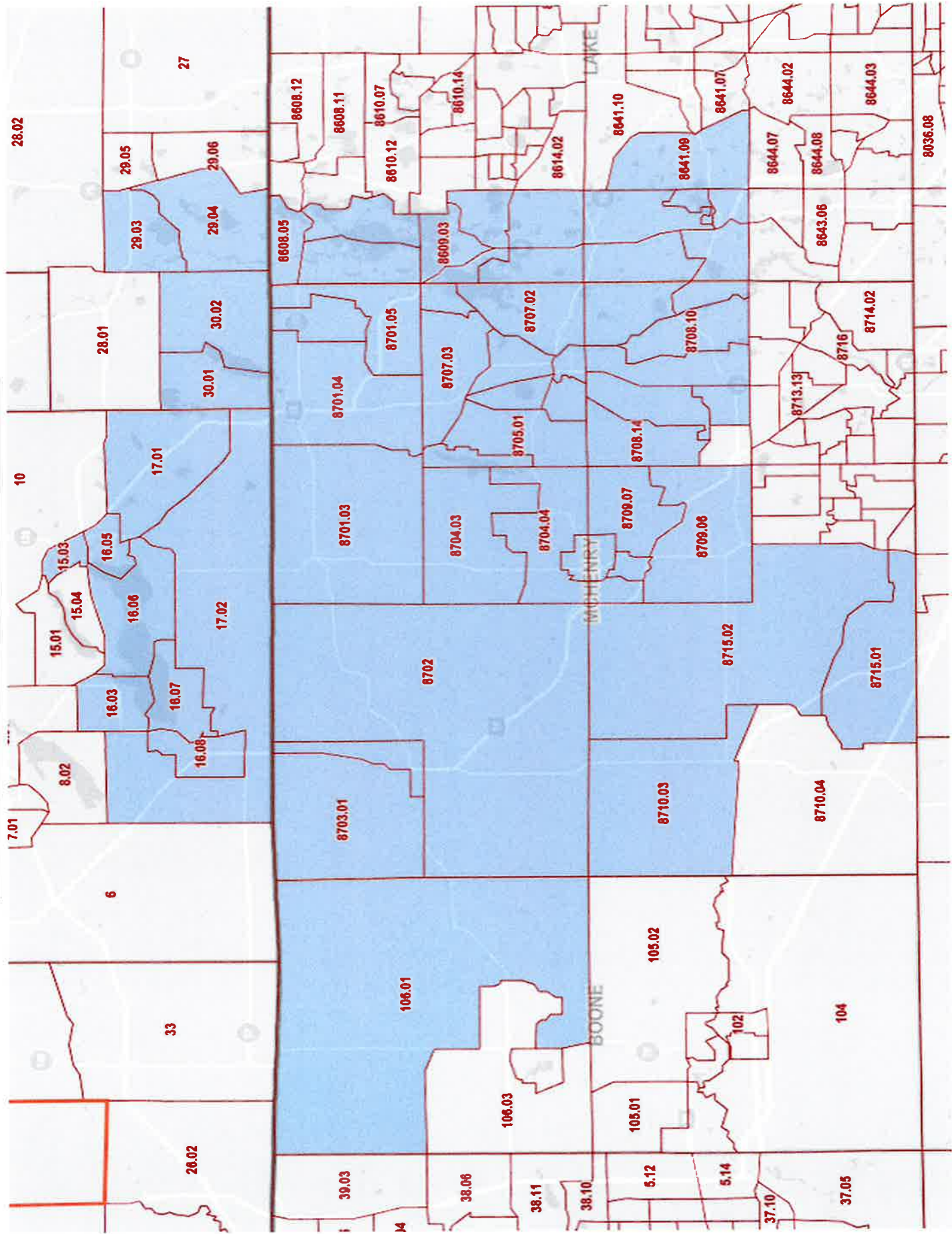
³ Overdraft fees may be imposed by any of the following: check or draft, in-person withdrawal, ATM withdrawal, or other electronic means.

SECTION 6

LOAN-TO-DEPOSIT RATIO

2020	
3/31	77%
6/30	80%
9/30	76%
12/31	74%
2021	
3/31	68%
6/30	64%
9/30	57%
12/31	53%
2022	
3/31	51%
6/30	54%
9/30	59%
12/31	68%
2023	
3/31	48%
6/30	68%
9/30	65%
12/31	64%
<i>Source: FFIEC Call Reports</i>	

THE STATE BANK GROUP – ASSESSMENT AREA
CENSUS TRACTS (2020 CENSUS)



SECTION 6
ASSESSMENT AREA CENSUS TRACTS
(2020 Census)

McHenry County, IL – 34 Census Tracts					
8701.03	8701.04	8701.05	8701.06	8702.00	8703.01
8703.02	8704.02	8704.03	8704.04	8705.01	8705.02
8706.03	8706.04	8706.05	8706.06	8707.02	8707.03
8707.04	8708.08	8708.09	8708.10	8708.11	8708.12
8708.13	8708.14	8709.03	8709.04	8709.05	8709.06
8709.07	8710.03	8715.01	8715.02		

Lake County, IL – 14 Census Tracts					
8608.05	8608.07	8608.08	8609.03	8609.05	8609.06
8609.07	8609.08	8641.09	8642.03	8642.04	8642.06
8642.07	8642.08				

Boone County, IL – 1 Census Tract					
106.01					

Kenosha County, WI – 4 Census Tracts					
29.03	29.04	30.01	30.02		

Walworth County, WI – 8 Census Tracts					
15.03	16.03	16.05	16.06	16.07	16.08
17.01	17.02				

TOTAL CENSUS TRACTS = 61