

PUBLIC DISCLOSURE

February 27, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

East Dubuque Savings Bank
RSSD# 913838

475 Cedar Cross Road
Dubuque, IA 52003

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

The East Dubuque Savings Bank is rated: Satisfactory

The bank demonstrates a reasonable loan-to-deposit ratio with a majority of its loans made within its assessment area. The majority of the bank's HMDA-reportable and small business loans and other lending-related activities are in the assessment area. The bank also has a reasonable geographic distribution of loans within its assessment area and reasonable volumes of loans to individuals of different income levels and businesses of different sizes given the demographics of its assessment areas.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated in the context of information about the institution and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The samples for the evaluation included Home Mortgage Disclosure Act (HMDA)-reportable loans originated between January 1, 2010 and December 31, 2010 and commercial loans originated between January 1, 2011 and December 31, 2011.

Full Review Assessment Areas	% of Branch Offices	% of June 30, 2011 Deposits ¹	% of 2010 HMDA Lending	% of 2011 Small Business Lending
Dubuque, IA MSA	50.0%	52.4%	81.5%	81.2%
Jo Daviess County, IL Non-MSA	50.0%	47.6%	18.5%	18.8%
Total	100.0%	100.0%	100.0%	100.0%

Performance within the bank's designated assessment areas, consisting of Dubuque County, Iowa MSA 20220 and Jo Daviess County, Illinois a non-MSA assessment area, was evaluated using the Federal Financial Institution Examination Council's interagency small institution examination procedures based on the following performance standards.

- **Loan-to-Deposit Ratio** – A 16-quarter average loan-to-deposit ratio was calculated from March 31, 2008 through December 31, 2011 for the bank and compared to its Uniform Bank Performance Report national peer group and a sample of local competitors.
- **Lending in the Assessment Area** – Home mortgage loans originated between January 1, 2010 and December 31, 2010 and small business loans originated between January 1, 2011 and December 31, 2011 were reviewed to determine the percentage of loans originated in the assessment area.

¹ FDIC Market Share

- *Geographic Distribution of Lending in the Assessment Area* – An analysis of lending among census tracts in the assessment area was conducted using HMDA-reportable loans originated between January 1, 2010 and December 31, 2010 and small business loans originated between January 1, 2011 and December 31, 2011 to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- or moderate-income.
- *Lending to Borrowers of Different Income and to Businesses of Different Sizes* – HMDA-reportable loans originated between January 1, 2010 and December 31, 2010 and small business loans originated between January 1, 2011 and December 31, 2011 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- *Response to Substantiated Complaints* – Neither East Dubuque Savings Bank nor this Reserve Bank received any CRA-related complaints since the prior evaluation.

DESCRIPTION OF BANK

East Dubuque Savings Bank is a community bank with \$165 million in assets as of December 31, 2011. The bank is owned by East Dubuque Bancshares, Inc. a one-bank holding company located in East Dubuque, Illinois. The bank's main office is located in an upper-income geography in the Dubuque Metropolitan Statistical Area 20220 (MSA). The bank has one additional branch office located in a middle-income geography in East Dubuque, Illinois. Each branch has a full-service ATM, with three additional cash-only ATMs maintained. Two of the cash-only ATMs are located in moderate-income census tracts within the assessment area and one cash-only ATM is located outside of the assessment area in Wisconsin. In 2010, the bank sold its former main office location located on Pennsylvania Avenue in Dubuque, Iowa, making the Cedar Cross location in Dubuque, Iowa, the main office.

The bank offers non-complex loan and deposit products. No new products have been introduced since the previous evaluation dated February 4, 2008. The bank is primarily a commercial lender with commercial loans, including those secured by real estate, representing 59.8 percent of the loan portfolio as of December 31, 2011. Residential real estate loans, consisting of 1-4 family and multi-family loans are also a significant component of the loan portfolio, at 27.6 percent of total loans. The table below provides a detailed breakdown of the bank's loan portfolio as of December 31, 2011.

Composition of Loan Portfolio as of December 31, 2011 (000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	34,182	27.6
	Farmland	4,097	3.3
	Non-farm, Non-residential	46,800	27.8
	Total Real Estate Secured	85,079	68.7
Agricultural	Agricultural	3,329	2.7
Commercial	Commercial and Industrial	27,213	22.0
Consumer	Loans to Individuals	7,668	6.2
Other	State & Pol Subdivisions	599	.4
	Total	123,888	100.0
<i>Percentages may not total to 100.0 percent due to rounding.</i>			

The bank's deposit products are also non-complex, and include checking, savings, CDs, and IRA accounts. Based on June 30, 2011 Federal Deposit Insurance Corporation deposit market share data, the bank holds a 4.4 percent market share ranking eighth of 16 institutions with offices in the bank's two assessment areas. There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on February 4, 2008.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio for the 16-quarter average ending December 31, 2011 equaled 95.8 percent. Ratios at this level indicate that the bank is investing the majority of its deposits through the origination of loans. The table below compares the bank's loan-to-deposit ratio with data for its local competitors and the national peer group. The national peer group is defined as insured commercial banks with assets between \$100 million and \$300 million, two or fewer full service banking offices that are located in a metropolitan statistical area. The loan-to-deposit ratio is comparable to or slightly above its competitors and exceeds the national peer group. The ratio is reasonable given the bank's size, strategy, financial condition and assessment area's credit needs.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 - Quarter Average
East Dubuque Savings Bank	95.8
National Peer Group 6	80.8
Competitors	
American Trust & Savings Bank	95.3
Dubuque Bank & Trust Company	85.2
Premier Bank	95.7

Assessment Area Concentration

During the sample periods covered by this evaluation, the bank originated 657 HMDA-reportable and small business loans, with 84.8 percent of these originations occurring within the bank’s assessment areas. Performance under this criterion indicates that a majority of HMDA-reportable loans and small business loans are originated in the assessment area.

The table below provides additional detail on the composition of loan originations inside and outside of the assessment area during the evaluation period.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans	87	81.3	12,016	78.2	20	18.7	3,359	21.8
Refinanced Loans	338	86.4	46,230	86.2	53	13.6	7,423	13.8
Home Improvement Loans	18	100.0	1,170	100.0	0	0.0	0	0.0
Multi-Family Loans	7	100.0	5,255	100.0	0	0.0	0	0.0
Total HMDA-Reportable Loans	450	86.0	64,671	85.7	73	14.0	10,782	14.3
Total Small Business Loans	107	80.0	11,626	67.1	27	20.0	5,690	32.9
Total Loans	557	84.8	76,297	82.2	100	15.2	16,472	17.8

Geographic and Borrower Distribution

The geographic distribution of loans in the Illinois and Iowa assessment areas each reflect a reasonable dispersion of lending throughout the assessment area, in consideration of the location of the bank’s branches within the assessment areas. HMDA-reportable and small business lending also reflects a reasonable penetration among individuals of different income (including low- and moderate-income) levels and businesses of different sizes. Please refer to the individual assessment area summaries for details on the nature of the bank’s lending in each of the assessment areas.

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**STATE OF IOWA
DUBUQUE, IOWA MSA 20220 – FULL REVIEW**

CRA RATING FOR THE STATE OF IOWA: Satisfactory

The geographic distribution of loans within the assessment area is reasonable and lending to individuals of different income levels and businesses of different sizes is reasonable given the demographics of its assessment areas.

SCOPE OF EXAMINATION

The scope of the examination is consistent with the scope for the performance evaluation. Please refer to the scope section of the overall summary for further details.

DESCRIPTION OF INSTITUTION'S OPERATIONS

The bank's operations in the Dubuque, Iowa MSA are comprised of the bank's main office, including a full-service ATM, and two cash-only ATMs. Based on June 30, 2011 Federal Deposit Insurance Corporation deposit market share data, the bank holds a 2.7 percent share of deposits in the county and is ranked sixth of 12 institutions in market share. In comparison, the top three institutions by market share were: Dubuque Bank & Trust, 33.4 percent; American Trust & Savings Bank, 26.9 percent; and U.S. Bank, 12.4 percent.

The Dubuque MSA consists of 23 census tracts in Dubuque County, consisting of one upper-income, 20 middle-income, and two moderate-income geographies. The bank sold its Pennsylvania Avenue office in Dubuque since the previous evaluation although its assessment area remained unchanged. Additional assessment area demographic information is shown in the table on the following page.

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	3,519	15.2	
Moderate-income	2	8.7	1,499	6.4	224	14.9	4,760	20.5	
Middle-income	20	87.0	20,759	89.5	886	4.3	6,275	27.0	
Upper-income	1	4.3	941	4.1	23	2.4	8,645	37.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	23	100.0	23,199	100.0	1,133	4.9	23,199	100.0	
	Total Housing Units by Tract		Housing Types by Tract						
			Owner-occupied		Rental		Vacant		
	#		#	%	%	#	%	#	%
Low-income			0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,741		1,137	4.6	30.4	2,074	55.4	530	14.2
Middle-income	30,529		22,554	91.1	73.9	6,726	22.0	1,249	4.1
Upper-income	1,235		1,062	4.3	86.0	137	11.1	36	2.9
Unknown-income	0		0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	35,505		24,753	100.0	69.7	8,937	25.2	1,815	5.1
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	699	15.9	574	15.0	68	20.7	57	25.1	
Middle-income	3,483	79.4	3,075	80.2	247	75.1	161	70.9	
Upper-income	206	4.7	183	4.8	14	4.3	9	4.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	4,388	100.0	3,832	100.0	329	100.0	227	100.0	
	Percentage of Total Businesses:			87.3		7.5		5.2	

Percentages may not total to 100.0 percent due to rounding.

According to U.S Census Bureau data, the population of the Dubuque assessment area increased by 5.1 percent between the years 2000 and 2010. In comparison, the state of Iowa's population grew by 4.1 percent over the same time period. The higher population growth rate is attributable to the significant economic development activities occurring in the assessment area as evidenced by City of Dubuque's many "best of" rankings among similarly-sized communities in the nation as shown on the Greater Dubuque Development Corporation's website at www.greaterdubuque.org.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Dubuque County, IA	89,143	93,653	5.1%
Iowa	2,926,324	3,046,355	4.1%
Source: 2000 and 2010 — U.S. Census Bureau: Decennial Census			

The Dubuque MSA’s 2010 median family income equaled \$61,138 in 2010, a 25.4 percent increase from 2000. This is slightly less than the state-wide growth rate, resulting in the MSA’s median family including representing 98.9 percent of the state median family.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Dubuque County, IA	48,742	61,138	25.4%
Iowa	48,005	61,804	28.7%
<i>Source: 2000—U.S. Census Bureau: Decennial Census, 2006-2010—U.S. Census Bureau: American Community Survey</i>			

Housing in the assessment area is more costly than in other areas of the state, with somewhat higher owner-occupied housing rates in the assessment area, at 69.7 percent, compared to 67.5 percent for the state as a whole. According to the Census Bureau’s American Community Survey, the median housing value for Dubuque County of \$136,800 was higher than the state median housing value of \$119,200, although rental costs were somewhat lower. The housing affordability ratio calculated from the Census Bureau’s American Community Survey and defined in the Glossary of this evaluation, equaled .36 percent, compared to .41 percent for the state as a whole; this indicates that housing is less affordable than elsewhere in the state, as higher ratios generally indicate more affordable housing than areas with lower ratios.

Housing permit issuances in Dubuque County have also been strong in 2009 and 2010, with 113.9 percent and 25.5 percent growth rates, respectively, before declining 24.0 percent in 2011, due predominantly to lower multi-family housing permits. The county’s housing start data had significantly higher growth rates than state-wide housing permits during 2009 and 2010 due to construction of rental housing associated with increased employment levels caused by business expansion in the county.

Housing Costs Change 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Dubuque County	91,900	136,800	434	584
Iowa	82,100	119,200	470	617
<i>Source: 2000—U.S. Census Bureau: Decennial Census; 2006-2010—U.S. Census Bureau: American Community Survey</i>				

Dubuque County’s 2011 unemployment rate of 5.5 percent compares favorably to the state-wide rate of 6.0 percent and the U.S. rate of 9.0 percent. This is attributed in part to the creation of new jobs in the assessment area by businesses such as IBM and Hormel Foods during 2011. A report prepared for the U.S. Conference of Mayors in 2011, listed Dubuque, Iowa as one of only 26 metro areas in the U.S. that have recovered 100.0 percent of jobs lost during the 2007-2009 recession.

Unemployment Rates				
Region	2008	2009	2010	2011
Dubuque County	4.5	5.8	6.0	5.5
Iowa	4.3	5.6	6.1	6.0
United States	5.8	9.3	9.6	9.0
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i>				

The chart below details the largest employers in Dubuque County. IBM Corp., is a new addition to the list, due to the company's establishment of a technology service delivery center in downtown Dubuque in 2010. The city had the strongest job growth in the state in 2011, all of which was represented by private sector jobs, while the public sector employment levels also remained steady according to the Greater Dubuque Development Corporation.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
John Deere Dubuque Works	2,065	Manufacturing
Dubuque Community School District	1,946	Education
Mercy Medical Center	1,324	Hospital Services
IBM Corp.	1,300	Technology Services
Medical Associates Clinic, P.C.	999	Health Services
The Finley Hospital	920	Hospital Services
The City of Dubuque	686	Public Service
Holy Family Catholic Schools	575	Education
Prudential Retirement	550	Financial services and Administration
<i>Source: www.greaterdubuque.org</i>		

Community contacts indicated that Dubuque County has experienced resurgence from the 2007 recession earlier than other areas of the state, with robust economic growth. Contacts also indicated that local financial institutions were doing a good job meeting the credit needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the Dubuque assessment area. East Dubuque Savings Bank made 169 home mortgage loans reported under the HMDA; the substantial majority of the loans were originated to borrowers from middle-income geographies (90.0 percent) which is consistent with the presence of owner-occupied housing units in the same geographies (91.1 percent). The bank made a total of seven HMDA-reportable loans in moderate-income geographies in the assessment area, representing 4.1 percent of the number of HMDA-reportable loans. This level of lending is comparable to the performance of aggregated

lenders, and is also reasonable in comparison to the level of owner-occupied housing in the moderate-income geographies within the assessment area.

Refinanced home loans represented the majority of the bank's HMDA-reportable lending at 126 loans made in 2010. Of these loans, 88.1 percent was made to borrowers from middle-income geographies which is below the percentage of owner-occupied housing units at 91.1 percent and the aggregated lenders at 92.0 percent by number. At 4.0 percent of refinancings, East Dubuque Savings Bank made loans to borrowers from moderate-income geographies at levels slightly below the percentage of owner-occupied housing units (4.6 percent) and above the aggregated lenders at 1.8 percent.

The bank also made 88 small business loans in its assessment area during the evaluation period, including nine in moderate-income geographies. The level (20.5 percent) of the bank's small business lending in moderate-income geographies is reasonable in relation to the number of small businesses located in the moderate-income geographies.

Details of the geographic distribution of HMDA-reportable loans and small business loans are provided in the following tables.

Home Mortgage Lending, 2010 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner- Occupied Housing
	#	%	\$	%	#	%	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.0
Moderate	2	5.3	118	3.0	3.4	1.7	4.6
Middle	36	94.7	3,860	97.0	93.5	94.4	91.1
Upper	0	0.0	0	0.0	3.1	3.9	4.3
Unknown	0	0.0	0	0.0	0.0	0.0	0.0
Total	38	100.0	3,978	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	5	4.0	307	1.7	1.8	1.1	
Middle	111	88.1	15,601	88.8	92.0	91.9	
Upper	10	7.9	1,664	9.5	6.2	7.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	126	100.0	17,572	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	4.0	4.3	
Middle	4	100.0	401	100.0	90.9	94.4	
Upper	0	0.0	0	0.0	5.1	1.3	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	4	100.0	401	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	28.6	24.2	
Middle	1	100.0	136	100.0	71.4	75.8	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	1	100.0	136	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	7	4.1	425	1.9	2.5	2.2	
Middle	152	90.0	19,998	90.6	92.2	91.9	
Upper	10	5.9	1,664	7.5	5.3	5.9	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	169	100.0	22,087	100.0	100.0	100.0	
<i>Percentages may not total to 100.0 percent due to rounding.</i>							

Small Business Lending, 2011 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	0.0
Moderate	18	20.5	1,690	16.9	15.9
Middle	67	76.1	7,811	78.2	79.4
Upper	3	3.4	488	4.9	4.7
Unknown	0	0.0	0	0.0	0.0
Total	88	100.0	9,989	100.0	100.0
<i>Percentages may not total to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's HMDA-reportable and small business lending achieved a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and businesses of different sizes.

In 2010, 26.0 percent of the 169 total of HMDA-reportable loans made by the bank were to low- and moderate-income borrowers in the bank's assessment area. This level is reasonable in relation to the lending proportions of the aggregated lenders making loans in the assessment area. Neither the bank nor the aggregated lenders made loans in percentages comparable to the percent of LMI families in the assessment area (35.7 percent). East Dubuque Savings Bank and the aggregated lenders failed to make loans to low-income borrowers in percentages, 7.7 and 4.6 percent, respectively, comparable to the presence of low-income families in the assessment area. East Dubuque Savings Bank outperformed the aggregated lenders in helping to meet the credit needs of low-income individuals in the assessment area.

The bank's 2011 small business lending is also reasonable, as the most significant proportion of the bank's small business loans, at 61.4 percent, are made to borrowers with gross annual revenues of \$1 million or less. In addition, the preponderance of the bank's lending to borrowers with gross annual revenues of \$1 million or less was in smaller loan sizes, as loans of \$100,000 or less comprised 64.8 percent of such loans. Generally, loans of this size are considered most beneficial to small businesses.

Details of the bank's HMDA-related and small business lending activities are presented in the following tables.

Home Mortgage Lending, 2010 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	2	5.3	129	3.2	13.5	8.5	15.2
Moderate	10	26.3	807	20.3	23.8	18.8	20.5
Middle	11	28.9	713	17.9	23.7	24.5	27.0
Upper	10	26.3	1,629	41.0	26.6	36.9	37.3
Unknown	5	13.2	700	17.6	12.4	11.3	0.0
Total	38	100.0	3,978	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	10	7.9	862	4.9	7.2	3.9	
Moderate	21	16.7	2,480	14.1	17.4	12.4	
Middle	41	32.5	5,021	28.6	25.8	22.3	
Upper	54	42.9	9,209	52.4	39.6	50.1	
Unknown	0	0.0	0	0.0	10.0	11.3	
Total	126	100.0	17,572	100.0	100.0	100.0	
Home Improvement Loans							
Low	1	25.0	25	6.2	15.2	5.1	
Moderate	0	0.0	0	0.0	18.2	11.6	
Middle	1	25.0	18	4.5	20.2	18.1	
Upper	2	50.0	358	89.3	35.3	44.7	
Unknown	0	0.0	0	0.0	11.1	20.5	
Total	4	100.0	401	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	1	100.0	136	100.0	100.0	100.0	
Total	1	100.0	136	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	13	7.7	1,016	4.6	9.0	4.9	
Moderate	31	18.3	3,287	14.9	19.0	13.5	
Middle	53	31.4	5,752	26.0	25.0	21.9	
Upper	66	39.1	11,196	50.7	35.6	44.6	
Unknown	6	3.6	836	3.8	11.4	15.1	
Total	169	100.0	22,087	100.0	100.0	100.0	

Percentages may not total to 100.0 percent due to rounding.

Small Business Loan Distribution, 2011					
By Revenue and Loan Size					
(000s)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	54	61.4	5,127	51.3	87.3
Over \$1 Million	29	32.9	4,552	45.6	7.5
Not Known	5	5.7	310	3.1	5.2
Total	88	100.0	9,989	100.0	100.0
By Loan Size					
\$100,000 or less	53	60.2	2,279	22.8	
\$100,000 - \$250,000	25	28.4	3,947	39.5	
\$250,000 - \$1 Million	10	11.4	3,763	37.7	
Total	88	100.0	9,989	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	35	64.8	1,289	25.2	
\$100,000 - \$250,000	13	24.1	1,955	38.1	
\$250,000 - \$1 Million	6	11.1	1,883	36.7	
Total	54	100.0	5,127	100.0	
<i>Percentages may not total to 100.0 percent due to rounding.</i>					

**THE STATE OF ILLINOIS
JO DAVIESS COUNTY, ILLINOIS NON-MSA – FULL REVIEW**

CRA RATING FOR–THE STATE OF ILLINOIS: Satisfactory

The geographic distribution of loans within the assessment area is reasonable. East Dubuque Savings Bank made reasonable volumes of loans to individuals of different income levels and businesses of different sizes given the demographics of its assessment areas.

SCOPE OF EXAMINATION

The scope of the examination is consistent with the scope for the overall evaluation. Please refer to the detailed description of the scope in the overall summary section of this evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS

The bank’s operations in the Jo Daviess County non-MSA assessment area are managed through one branch office with a full-service ATM located in downtown East Dubuque, Illinois, in the northwestern portion of the county. Based on June 30, 2011 Federal Deposit Insurance Corporation deposit market share data, the bank had a 10.3 percent market share in the county and is ranked third of seven institutions in market share. By comparison, the top two institutions in market share were: Galena State Bank & Trust with 37.5 percent of the deposit market, and Apple River State Bank with 33.0 percent of the deposit market.

The Jo Daviess assessment area consists of the entire county, and is comprised of five middle-income geographies. This assessment has remained unchanged since the previous evaluation. Additional assessment area demographic information is shown in the following table.

Assessment Area Demographics 2000									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	721	11.5	
Moderate-income	0	0.0	0	0.0	0	0.0	1,111	17.7	
Middle-income	5	100.0	6,263	100.0	250	100.0	1,629	26.0	
Upper-income	0	0.0	0	0.0	0	0.0	2,802	44.7	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	5	100.0	6,263	100.0	250	100.0	6,263	100.0	
	Total Housing Units by Tract		Housing Types by Tract						
			Owner-occupied		Rental		Vacant		
	#		#	%	%	#	%	#	%
Low-income	0		0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0		0	0.0	0.0	0	0.0	0	0.0
Middle-income	12,003		7,123	100.0	59.3	2,095	17.5	2,785	23.2
Upper-income	0		0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0		0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	12,003		7,123	100.0	59.3	2,095	17.5	2,785	23.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	1,613	100.0	1,460	100.0	71	100.0	82	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	1,613	100.0	1,460	100.0	71	100.0	82	100.0	
	Percentage of Total Businesses:			90.5		4.4		5.1	

Percentages may not total to 100.0 percent due to rounding.

According to U.S Census Bureau data, the population of the largely rural Jo Daviess County increased at a slower rate than Illinois' population growth as a whole, growing by only 1.7 percent in the period between census reports, compared to 3.3 percent for the state.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Jo Daviess County	22,289	22,678	1.7
Illinois State	12,419,293	12,830,632	3.3

Source: U.S. Census Bureau: Decennial Census

The county's median family income grew at a faster rate than Illinois' state-wide rate, with 2010 median family income of \$60,381. Many residents of Jo Daviess County commute to Dubuque, Iowa, which offers higher paying jobs than are available within the county.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Jo Daviess County	48,335	60,381	24.9
Illinois State	55,545	68,236	22.8

Source: U.S. Census Bureau: 2000 Decennial Census and 2006-2010 American Community Survey

The county's housing has become more expensive as shown by a decline in the housing affordability ratios, defined in the Glossary to this evaluation, from 43.0 percent in 2000, to 36.0 percent based on the 2006-2010 American Community Survey. However, it still compares favorably to elsewhere in the state, as the Illinois average affordability ratio is 28.0 percent based on data from the 2006-2010 survey. Census data also indicates that median housing values for Jo Daviess County are far lower than the State of Illinois average. Although median gross rent for the Jo Daviess County has risen from \$393 in 2000 to \$617 in 2010, it also remains far below the median gross rent of \$834 for the state.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Jo Daviess County	93,500	138,000	393	617
Illinois State	127,800	202,500	605	834

Source: U.S. Census Bureau: Decennial Census

The unemployment rate for Jo Daviess County, at 7.4 percent for 2011, is significantly lower than both the state and national unemployment rates of 9.8 percent and 9.0 percent, respectively. In addition to employment available in the county as shown in the Largest Employers in the Assessment chart below, the proximity to new jobs in the larger City of Dubuque, Iowa, located just across the state line, may have contributed to the lower unemployment rate as residents choose to commute to work in Iowa.

Unemployment Rates				
Region	2008	2009	2010	2011
United States	5.8	9.3	9.6	9.0
Illinois State	6.4	10.0	10.3	9.8
Jo Daviess County	5.7	8.8	8.8	7.4

Source: Bureau of Labor Statistics

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Dura Automotive	650	Motor vehicle parts and accessories
Eagle Ridge Resort	200	Hotel and resort
Chestnut Mountain Resort	290	Hotel and resort
Honeywell/MicroSwitch	260	Electric switches
Invensys Appliance Controls	240	Building HVAC controls

Source: Illinois Department of Commerce and Community Affairs, 2003

Community contact data indicated that banks in the assessment area are meeting the credit needs of small businesses in the area, although there is a need in the area for initiatives to attract new businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Geographic Distribution of Loans

Jo Daviess County, Illinois, does not have any low- or moderate-income geographies. Therefore, less weight has been given to the bank's record of lending under this performance criteria. The distributions of the bank's HMDA-reportable and small business loans were reviewed to determine the dispersion of loans within the assessment area. In 2010, the bank made 45 HMDA-reportable loans and 19 small business loans. All loans, but one HMDA-reportable loan, were originated in census tract 202 which includes the city of East Dubuque, IL, and the bank's only branch office in this assessment area. However, the bank's single branch location in the county limits lending penetration in other census tracts. Therefore, the bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Lending, 2010 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner-Occupied Housing
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0	0.0	0.0
Middle	6	100.0	616	100.0	99.4	99.7	100.0
Upper	0	0.0	0	0.0	0.0	0.0	0.0
Unknown	0	0.0	0	0.0	0.6	0.3	0.0
Total	6	100.0	616	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	35	100.0	4,361	100.0	99.7	99.8	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.3	0.2	
Total	35	100.0	4,361	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	4	100.0	45	100.0	100.0	100.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	4	100.0	45	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	0	0.0	0	0.0	0.0	0.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	45	100.0	5,022	100.0	99.7	99.7	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.3	0.3	
Total	45	100.0	5,022	100.0	100.0	100.0	
<i>Percentages may not total to 100.0 percent due to rounding.</i>							

Small Business Lending, 2011 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	
Middle	19	100.0	1,638	100.0	100.0
Upper	0	0.0	0	0.0	
Unknown	0	0.0	0	0.0	
Total	19	100.0	1,638	100.0	
<i>Percentages may not total to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank’s HMDA-related and small business lending in the assessment area reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income, levels and of businesses of different sizes.

In 2010, East Dubuque Savings Bank made 45 home mortgage loans reported under the HMDA. The majority of its HMDA-reportable mortgage loans overall (53.3 percent) and refinancings (60.0 percent) in particular, were to upper-income individuals, exceeding the percentages of loans made by the aggregated lenders both overall and for refinancings specifically and the percentage of upper-income families in the assessment area. The bank made eight home mortgage loans or 17.8 percent of its HMDA-reportable mortgage loans overall to low- and moderate-income borrowers, exceeding the performance of the aggregated lenders who made 10.6 percent of their loans to LMI borrowers. Refinancings were the bank’s primary product; the bank made 35 refinancings in 2010 and four were made to moderate-income borrowers; none were made to low-income borrowers.

The bank’s 2011 small business lending is reasonable as loans to businesses with gross annual revenues of \$1 million or less represented 73.7 percent of the bank’s business loans; 71.5 percent of these loans were made in amounts of \$100,000 or less, which are amounts considered to be most beneficial to small businesses.

Home Mortgage Lending, 2010 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans		Bank Loans		Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	1	16.7	31	5.0	4.2	1.7	11.5
Moderate	0	0.0	0	0.0	16.0	10.3	17.8
Middle	2	33.3	258	41.9	12.4	8.5	26.0
Upper	2	33.3	267	43.3	26.0	32.1	44.7
Unknown	1	16.7	60	9.8	41.4	47.4	0.0
Total	6	100.0	616	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	2.0	1.8	
Moderate	4	11.4	229	5.2	5.8	3.0	
Middle	10	28.6	1,067	24.5	11.9	8.8	
Upper	21	60.0	3,065	70.3	38.2	42.5	
Unknown	0	0.0	0	0.0	42.1	43.9	
Total	35	100.0	4,361	100.0	100.0	100.0	
Home Improvement Loans							
Low	2	50.0	5	11.2	9.5	0.3	
Moderate	1	25.0	20	44.4	28.6	17.7	
Middle	0	0.0	0	0.0	4.8	1.9	
Upper	1	25.0	20	44.4	38.1	39.4	
Unknown	0	0.0	0	0.0	19.0	40.7	
Total	4	100.0	45	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	0	0.0	0	0.0	0.0	0.0	
Total Home Mortgage Loans							
Low	3	6.7	36	0.7	2.5	1.8	
Moderate	5	11.1	249	5.0	8.1	4.3	
Middle	12	26.7	1,325	26.4	11.8	8.7	
Upper	24	53.3	3,352	66.7	36.1	40.8	
Unknown	1	2.2	60	1.2	41.5	44.4	
Total	45	100.0	5,022	100.0	100.0	100.0	

Percentages may not total to 100.0 percent due to rounding.

Small Business Loan Distribution, 2011					
By Revenue and Loan Size					
(000s)					
Category	Bank Loans				Businesses By Annual Revenues
	#	%	\$	%	# %
By Revenue					
\$1 Million or Less	14	73.7	1,190	72.6	90.5
Over \$1 Million	5	26.3	448	27.4	4.4
Not Known	0	0.0	0	0.0	5.1
Total	19	100.0	1,638	100.0	100.0
By Loan Size					
\$100,000 or less	14	73.7	566	34.6	
\$100,000 - \$250,000	4	21.0	785	47.9	
\$250,000 - \$1 Million	1	5.3	287	17.5	
Total	19	100.0	1,638	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	10	71.5	364	30.6	
\$100,000 - \$250,000	3	21.4	539	45.3	
\$250,000 - \$1 Million	1	7.1	287	24.1	
Total	14	100.0	1,190	100.0	
<i>Percentages may not total to 100.0 percent due to rounding.</i>					

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		HMDA-related loans, 2010 data Small business loans, 2011 data	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
East Dubuque Savings Bank		HMDA-reportable loan products Small business loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
None	None	Not applicable	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa Dubuque County MSA 20220	Full scope review	Cedar Cross Road, Dubuque, IA	This is the bank's main office and sole location in the assessment area
Illinois Non MSA Jo Daviess County	Full scope review	None	The bank's sole location in the assessment area is located in downtown East Dubuque, Illinois

APPENDIX B - Glossary

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the

rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing 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.

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 lenders in the MSA/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 (HUD) 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: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

Small loans to business: 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 loans to farms: 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 thousand 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.