**Section 1075.2370 Proxy Statement – Business of the Applicant**

a) Narrative description of business.

1) Discuss briefly the organizational history of the applicant, including the year of organization, the identity of the chartering authority, and any charter conversions.

2) Describe the business conducted and intended to be conducted by the applicant and its subsidiaries. This should include a description of the general development of the business of the applicant and any predecessors during the past 5 years, or a shorter period as the applicant may have been engaged in business. Information shall be disclosed for earlier periods if material to an understanding of the general development of the business. Any material changes in the mode of conducting the business should be discussed.

3) Consideration should be given to inclusion of a description of the applicant's historical practices, including the average remaining term to maturity of its portfolio of mortgage loans, and present intention regarding the making of loans, whether real estate or other, the nature of security received, the terms of loans, whether carrying fixed or variable interest rates, and the retention of loans or their resale in secondary mortgage markets. Historical description might require a general identification of the magnitude of various activities.

4) Explain any significant impact to the institution as a result of any material acquisitions.

b) Selected financial data – Furnish in comparative columnar form a summary of selected financial data for the applicant for:

1) each of the last 5 fiscal years of the applicant (or for the life of the applicant and its predecessors, if less); and

2) any additional fiscal years necessary to keep the summary from being misleading.

3) In furnishing the information required by this subsection, the following shall apply:

A) The purpose of the summary of selected financial data shall be to supply in convenient and readable format selected data that highlight significant trends in the applicant's financial condition and results of operations.

B) Subject to appropriate variation to conform to the nature of the applicant's business, the following items, as a minimum, shall be included in the summary: Total interest income; total interest expense; income (loss) from continuing operations; net income; total loans; total investments; total assets; total savings; total borrowings; total capital; and total number of customer service facilities indicating the number which provide full service. Applicants may include additional items which they believe would enhance understanding and highlight trends in their financial condition and results of operation. Briefly describe, or cross-reference to a discussion of, factors such as accounting changes, business combinations, or dispositions of business operations that materially affect the comparability of the information reflected in selected financial data. Discussion of, or reference to, any material uncertainties should also be included where those matters might cause the data reflected not to be indicative of the applicant's future financial condition or results of operations.

C) Those applicants that elect to provide 5 year summary information in accordance with Section C28 of the Financial Accounting Standards Board's Statement of Financial Accounting Standards (FASB Statement 89), "Financial Reporting and Changing Prices", (Accounting Standards Current Text General Standards as of June 1, 1992, no subsequent date or addition, Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk CT 06856-5116), may combine the information with the selected financial data appearing pursuant to this Section.

D) All references to the applicant in the summary and in these instructions shall mean the applicant and its consolidated subsidiaries.

E) If interim-period financial statements are included, or are required to be included by Section 1075.2450, applicants should update the selected financial data for the interim period to reflect any material change in the trends indicated; when updating information is necessary, applicants should provide the information on a comparative basis unless not necessary to an understanding of the updating information.

c) Management's discussion and analysis of financial condition and results of operation.

1) Discuss the applicant's financial condition, and results of operations. The discussion shall provide information as specified in subsection (c)(1)(A), (B), and (C) with respect to liquidity, capital resources, and results of operations and also should provide all other information that the applicant believes to be necessary to an understanding of its financial condition, changes in financial condition, and results of operations. Significant business combinations should be discussed. Discussion of liquidity and capital resources may be combined whenever the 2 topics are interrelated. Where in the applicant's judgment a discussion of subdivisions of the applicant's business would be appropriate to an understanding of the business, the discussion should focus on each relevant, reportable segment or other subdivision of the business and on the applicant as a whole.

A) Liquidity – Identify any known trends or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the applicant's liquidity increasing or decreasing in any material way. If a material deficiency is identified, indicate the course of action that the applicant has taken or proposes to take to remedy the deficiency. Identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets. Comment on maturity imbalances between assets and liabilities and planned activities in the secondary mortgage market.

B) Committed resources.

i) Describe the applicant's material commitments for loan fundings or other expenditures as of the end of the latest fiscal period and indicate the general purpose of the commitments and the anticipated source of funds needed to fulfill the commitments.

ii) Describe any known material trends, favorable or unfavorable, in the applicant's committed resources. Indicate any expected material changes in the mix and the relative cost of the resources. This discussion should consider changes between savings, equity, debt, and any off-balance-sheet financing arrangements.

C) Results of operations.

i) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to that income was affected. In addition, describe any other significant components of revenues or expenses which, in the applicant's judgment, should be described in order to understand the applicant's results of operations.

ii) Describe any known trends and uncertainties that have had, or that the applicant reasonably expects will have, a materially favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the applicant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of money or interest rates), the change in the relationship should be disclosed.

iii) To the extent that the financial statements disclose material increases in interest expense, provide a narrative discussion of the extent to which the increases are attributable to increases in rates or to increases in volume.

iv) For the 3 most recent fiscal years of the applicant, discuss the impact of inflation and changing prices on the applicant's revenues and on income from continuing operations.

v) For the most recent financial statement presented, discuss any unusual risk characteristics in the assets of the applicant. This would include real estate development, significant amounts of commercial real estate as loan collateral, and any other significant risk factors inherent in the applicant's lending or investment portfolios, including significant increases in amounts of non-accrual, past due, restructured, and potential problem loans (U.S. Securities and Exchange Commission's Securities Act Industry Guide 3, Section III C 1992, no subsequent dates or editions, U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC 20549).

D) In completing subsection (c)(1), the following shall apply:

i) The applicant's discussion and analysis shall be of the financial statements and of other statistical data that the applicant believes will enhance a reader's understanding of its financial condition, changes in financial condition, and results of operations. Generally, the discussion should cover the 3 year period covered by the financial statements and should use year-to-year comparisons or other formats that, in the applicant's judgment, enhance a reader's understanding. However, where trend information is relevant, reference to the 5 year selected financial data appearing in subsection (b) may be necessary.

ii) The purpose of the discussion and analysis should be to provide to investors and other users information relevant to an assessment of the financial condition and results of operations of the applicant as determined by evaluating the amounts and certainty of cash flows from operations and from outside sources. The information provided in this subsection need only include that which is available to the applicant without undue effort or expense and does not clearly appear in the applicant's financial statements.

iii) The discussion and analysis should specifically focus on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or future financial condition. This would include description and amounts of matters that would have an impact on future operations and have not had an impact in the past, and matters that have had an impact on reported operations and are not expected to have an impact upon future operations.

iv) Where the consolidated financial statements reveal material changes from year to year in one or more line items, the causes for the changes should be described to the extent necessary to an understanding of the applicant's business as a whole; provided, however, if the causes for a change in one line item also relate to other line items, no repetition is required and a line-by-line analysis of the financial statements as a whole is not required or generally appropriate. Applicants need not recite the amount of changes from year to year that are readily computable from the financial statements. The discussion should not merely repeat numerical data contained in the consolidated financial statements.

v) The term "liquidity" as used in subsection (c)(1)(A) refers to the ability of an enterprise to generate adequate amounts of cash to meet the enterprises' needs for cash. Except where it is otherwise clear from the discussion, the applicant should indicate those balance sheet conditions or income or cash flow items that the applicant believes may be indicators of the liquidity condition. Liquidity generally should be discussed on both a long-term and short-term basis. The issue of liquidity should be discussed in the context of the applicant's own business or businesses.

vi) Applicants are encouraged, but not required, to supply forward-looking information. This is to be distinguished from presently known data that will have an impact upon future operating results, such as known future increases in rates or other costs. This latter data is required to be disclosed.

vii) Applicants that elect to provide narrative explanations of supplementary information disclosed in accordance with SFAS 89, as referred to in subsection (b)(3)(C), may combine the explanations with their discussion and analysis required pursuant to this provision or they may supply the information separately. If the information is combined, it shall be located in reasonable proximity to the discussion and analysis. If the information is not combined, the discussion of the impact of inflation otherwise required by this subsection may be omitted if there is an appropriate cross-reference to the explanations provided pursuant to SFAS 89, as referred to in subsection 1075.2370(b)(3)(C).

viii) Applicants which elect not to provide explanations of supplementary information disclosed in accordance with SFAS 89 may discuss the effects of inflation and changes in prices in whatever manner appears appropriate under the circumstances. Although voluntary compliance with SFAS 89 is encouraged, all that is required is a brief textual presentation of management's views. No specific numerical financial data need be presented.

ix) All references to the applicant in the discussion and in these instructions shall mean the applicant and its consolidated subsidiaries.

2) If interim-period financial statements are included or are required to be included by Section 1075.2440, a management's discussion and analysis of the financial condition and results of operations shall be provided to enable the reader to assess material changes in financial condition and results of operations between the period specified in subsection (c)(2)(A) and (B). The discussion and analysis shall include a discussion of material changes in those items specifically listed in subsection (c)(1), except that the impact of inflation and changing prices on operations for interim periods need not be addressed.

A) Material changes in financial condition. Discuss any material changes in financial condition from the end of the preceding fiscal year to the date of the most recent interim balance sheet provided. If the interim financial statements include an interim balance sheet as of the corresponding interim date of the preceding fiscal year, any material change in financial condition from that date to the date of the most recent interim balance sheet provided shall also be discussed. If discussions of changes from both the end and the corresponding interim date of the preceding fiscal year are required, the discussions may be combined at the discretion of the applicant.

B) Material changes in results of operations. Discuss any material changes in the applicant's results of operations with respect to the most recent fiscal year-to-date period for which an income statement is provided and the corresponding year-to-date period of the preceding fiscal year. If the applicant is required to or has elected to provide an income statement for the most recent fiscal year quarter, the discussion also shall cover material changes with respect to that fiscal quarter and the corresponding fiscal quarter in the preceding fiscal year. In addition, if the applicant has elected to provide an income statement for the 12-month period ended as of the date of the most recent interim balance sheet provided, the discussions shall also cover material changes with respect to that 12-month period and the 12-month period ended as of the corresponding interim balance sheet date of the preceding fiscal year.

C) In completing subsection (c)(2), the following instructions shall apply:

i) If interim financial statements are presented together with financial statements for full fiscal years, the discussion of the interim financial information shall be prepared pursuant to subsection (c)(2) and the discussion of the full fiscal year information shall be prepared pursuant to subsection (c)(1). Such discussions may be combined.

ii) The discussion and analysis required by subsection (c)(2) is required to focus only on material changes. Where the interim financial statements reveal material change from period to period in one or more significant line items, the causes for the changes should be described if they have not already been disclosed; however, if the causes for a change in one line item also relate to other line items, no repetition is required. Applicants need not recite the amounts of changes from period to period that are readily computable from the financial statements. This discussion should not merely repeat numerical date contained in the financial statements. The information provided should include that which is available to the applicant without undue effort or expense and does not clearly appear in the applicant's interim financial statements.

iii) The applicant's discussion of material changes in results of operations should identify any significant elements of the applicant's income or loss from continuing operations that do not arise from, or are not necessarily representative of, the applicant's ongoing business.

iv) Applicants are encouraged, but are not required, to discuss forward-looking information.

d) Lending activities.

1) Briefly describe the applicable federal and State restrictions on the lending activities of the applicant, including applicable laws affecting mortgage loan interest rates. Also briefly describe the applicant's general policy concerning loan-to-value ratios; customary methods of obtaining loan originations, such as the use of loan consultants; approval of properties as security for loans; the use of a loan committee, if any; and policies as to requiring title, fire insurance, and casualty insurance on security properties. Indicate the applicant's general future intentions with respect to activities in secondary mortgage markets, including transactions with the Federal Home Loan Mortgage Corporation or mortgage bankers. If significant, indicate loan service fee income as a percentage of net interest income for the years required by Section 1075.2440(b).

2) As to the lending area of the applicant, describe briefly:

A) the lending area restrictions, if any, applicable to the applicant;

B) the areas in which the applicant normally lends; and

C) any material loan concentration areas of the applicant. The descriptions may include maps illustrating one or more of these areas. Furnish an estimate of the housing vacancy rates in areas where the applicant's loan concentrations are located, if practicable.

3) Describe briefly the general long-term nature of investment in mortgage loans and the consequent effect upon the earnings spread of savings institutions. State the normal maturity of loans made by the applicant on the security of single-family dwellings and furnish an estimate as to the average length of time the loans are outstanding.

4) For each of the periods required by Section 1075.2440(b), set forth in tabular form, excluding fees that are not considered adjustments of yield, the following:

A) Average yield during the period, computed on no greater than a monthly basis, on:

i) loan portfolio;

ii) investment portfolio;

iii) other interest-earning assets; and

iv) all interest earning assets.

B) Average rate paid during the period, computed on no greater than a monthly basis, on:

i) deposits;

ii) borrowings and Federal Home Loan Bank advances;

iii) other interest-bearing liabilities; and

iv) all interest-bearing liabilities (subsection (d)(4)(A)(i), (ii), and (iii)).

C) Weighted-average yield at end of the latest required period, for the items in subsection (d)(4)(A) and (B).

D) The net yield on average interest-earning assets (net interest earnings divided by average interest-earning assets with net interest earnings equaling the difference between the dollar amount of interest earned and paid). Average interest-earning assets should be determined on an interval no more frequent than monthly.

E) For each of the periods required by Section 1075.2440(b), set forth in tabular form:

i) the dollar amount of change in interest income, and

ii) the dollar amount of change in interest expense. The changes should be segregated for each major category of interest-earning asset and interest-bearing liability (as stated in subsection (d)(4)(A) and (B)) into amount attributable to changes in volume change (change in volume multiplied by old rate), and changes in rates (change in rate multiplied by old volume), and changes in rate-volume (change in rate multiplied by the change in volume). The rate/volume variances should be allocated on a consistent basis between rate and volume variance and the basis of allocation disclosed in a note to the table.

5) For each of the periods required by Section 1075.2440(b), present the following:

A) Return on assets (net income divided by average total assets).

B) Return on equity (net income divided by average equity).

C) Equity-to-assets ratio (average equity divided by average total assets).

D) Applicants should supply any additional ratios necessary to explain their operations.

6) Loans:

A) As of the end of the latest fiscal year reported on, present separately the amounts of loans in the categories of real estate mortgages, real estate construction, installment, and commercial, financial and agricultural that are due:

i) In each of the 3 years following the balance sheet;

ii) after 3 through 5 years;

iii) after 5 through 10 years;

iv) after 10 through 15 years; and

v) after 15 years. In addition, present separately the total amount of all such loans due after one year that have predetermined interest rates and floating or adjustable interest rates.

B) In completing subsection (d)(6)(A), the following shall apply:

i) Scheduled principal repayments should be reported in that maturity category in which the payment is due.

ii) Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts should be reported as due in one year or less.

iii) Determinations of maturities should be based upon contract terms. However, the terms may vary due to the applicant's "rollover policy," in which case the maturity should be revised as appropriate and the rollover policy should be briefly discussed.

7) Describe briefly the risk elements within the loan and investment portfolios including the applicant's customary procedures regarding delinquent loans. As of the end of each of the periods covered by the statements of operation required by Section 1075.2440(b)(1) and as of the date of the latest statement of financial condition required by Section 1075.2440(a), set forth in tabular form the amounts and categories of non-accrual, past due, restructured, and potential problem loans (see Securities and Exchange Commission's Securities Act Industry Guide 3, Section III C) and the ratio of such loans to total assets. Where the amount of real estate that has been in substance foreclosed, acquired by foreclosure, or by deed in lieu of foreclosure is significant, include a brief description of the major properties and a statement as to the applicant's probable losses, if any, upon disposition of such properties.

e) Savings activities.

1) State whether the maximum rate of interest that the applicant may pay is established by regulatory authorities. State that, in the event of liquidations of the applicant after conversion, savings account holders will be entitled to full payment of their accounts before payment to shareholders. Also indicate the percentage of total savings accounts that are from out-of-state sources, if the total is significant.

2) Set forth in tabular form the amounts of time deposit accounts by categories of interest rates as of the dates of each balance sheet filed. Each interest-rate category should not be more than 200 basis points. As of the date of the latest balance sheet, set forth in tabular form for each interest-rate category, the amounts of savings maturing during each of the three years following the balance sheet date and the total maturing thereafter.

3) Disclose the weighted-average rate and general terms (as well as formal provisions for the extension of the maturity) of each category of short-term borrowings, along with the maximum amount of borrowings in each category outstanding at any month-end during each period for which an end-of-period balance sheet is required. In addition, disclose the approximate average short-term borrowings outstanding during the period and the approximate weighted-average interest rate (and a brief description of the means used to compute such average) for the aggregate short-term borrowings. The disclosure required by this subsection need not be furnished as regards borrowings in each particular category when the aggregate amount of such borrowings at the balance sheet date does not exceed one percent of assets at that date. Notwithstanding this reporting threshold, if the weighted average of the borrowings at year-end, the disclosure called by this subsection should be furnished. This information is not required to be given for any category of short-term borrowings for which the average balance outstanding during the period was less than 30% of stockholders equity at the end of the period.

f) Federal regulation. Describe briefly, to the extent not otherwise covered by other items, federal regulation of the applicant and the conduct of its operations. In particular, describe briefly the insurance of accounts and the general regulatory authority of the Federal Deposit Insurance Corporation, and federal regulatory capital requirements; the results of failure to meet those requirements; and the applicant's regulatory capital position in relation to those requirements. Also, describe the assessment authority and requirements of the Federal Deposit Insurance Corporation, the Financing Corporation, and the Resolution Funding Corporation.

g) Federal Home Loan Bank System. If a member, describe briefly the Federal Home Loan Bank System and state that the applicant is a member. The description shall include:

1) Limitations on borrowings;

2) Recent loan policies of the applicant's Federal Home Loan Bank and current interest rates; and

3) Federal Home Loan Bank stock purchase requirements and the applicant's position with respect to those requirements.

h) State regulation. Describe briefly, to the extent not otherwise covered by other items, State regulation of the applicant and the conduct of its operations. In particular, describe briefly the general regulatory authority of the Director, and State regulatory capital requirements, the results of failure to meet those requirements, and the applicant's regulatory capital position in relation to those requirements (Section 5001 of the Act and Section 1075.410). Also describe the supervisory fee assessment authority and requirements of the Director.

i) Federal and state taxation. Describe briefly the federal income tax laws applicable to the applicant including:

1) Permissible bad debt reserves;

2) The applicant's position with respect to the maximum bad debt reserve limitations as of the date of the latest statement of financial condition required under Section 1075.2440(a);

3) Future increases in the effective income tax rate;

4) The date through which the applicant's federal income tax returns have been audited by the Internal Revenue Service; and

5) The tax effect to the applicant of the payment of cash dividends on capital stock of the applicant after conversion. Also describe briefly the State taxation of the applicant.

j) Competition. Describe the material sources of competition for savings banks generally and indicate to the extent practicable the applicant's position in its principal lending and deposit markets. In answering this subsection, give to the extent known the applicant's deposit and mortgage product market shares by county in its geographic market. Also indicate its rank and any material changes or trends in its competitive standing.

k) Office and other material properties.

1) Furnish the location of the applicant's home office and each existing and approved branch office and other office facilities (such as mobile or satellite offices). State the total net book value of all its offices as of the date of the latest statement of financial condition required by Section 1075.2440(a). If any office is leased, state the expiration dates of those leases.

2) Describe briefly undeveloped land owned by the applicant, including location, net book value, and prospective use and holding period. If the applicant or a subsidiary owns or leases electronic data processing equipment principally for its own use, describe briefly the equipment indicating net book value if owned or the principal lease terms if leased.

l) Employees. State the number of persons employed full time by the applicant including executive officers listed under Section 1075.2350. State whether employees are represented by a collective bargaining group and whether the applicant's relations with its employees is satisfactory. Summarize briefly any loans, profit sharing, retirement, medical, hospitalization or other remuneration plans provided for employees not already included pursuant to Section 1075.2360.

m) Service corporations. Describe briefly the applicant's investment in any subsidiary and the major lines of business (including any joint ventures) of the subsidiary that are material to its operations.

n) Legal proceedings. Furnish the information regarding legal proceedings required to be disclosed in a registration statement filed under the Securities Exchange Act of 1934 (15 USC 78a et seq., as amended to July 1, 1991, no subsequent dates or editions). In particular, see Item 103 of the "General Rules Regarding Disclosures: Regulations S-K – Standard Instructions for Filing Forms under Securities Act of 1933 and the Securities Exchange Act of 1934" (17 CFR 229.103) November 1992, no subsequent dates or editions, U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC 20549. Unless the context otherwise requires, the word "registrant" in that regulation shall refer to the applicant.

o) Additional information. The Director may upon the request of applicant, and where consistent with the protection of account holders and others, permit the omission of any of the information required by this Section or the furnishing in substitution therefor of appropriate information of comparable character. The Director may also require the furnishing of other information in addition to, or in substitution for, the information required by this Section in any case in which the information is necessary or appropriate for an adequate description of the applicant's business done or intended to be done.

(Source: Amended at 30 Ill. Reg. 19068, effective December 1, 2006)