



PUBLIC DISCLOSURE

May 12, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples National Bank, National Association
Charter Number 9408

108 South Washington Street
McLeansboro, IL 62859

Office of the Comptroller of the Currency

500 N. Broadway, Suite 1700
St. Louis, MO 63102

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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'S CRA RATING: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The bank's overall rating is a blend of Peoples National Bank's two assessment areas (AAs). The major factors that support this rating are:

- The distribution of loans to individuals of different income levels reflects reasonable penetration in the AAs.
- The geographic distribution of loans reflects reasonable dispersion within the census tracts (CTs) in the AAs.
- Community development activities reflect excellent responsiveness to the community needs in the AAs.
- A majority of loans were originated or purchased inside the bank's two AAs.
- The bank's quarterly average loan-to-deposit ratio is more than reasonable.

Scope of Evaluation

The Performance Evaluation of Peoples National Bank (PNB) assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated PNB under the Intermediate Small Bank performance criteria, which consist of a lending test and a community development (CD) test. The lending test evaluates a bank's record of helping meet the credit needs of its AAs through its lending activities. The CD test evaluates a bank's lending, qualified investments, and CD services activities and PNB's responsiveness to the community needs.

The bank has two AAs: the Illinois Non-Metropolitan Statistical Area (Non-MSA) AA; and the St. Louis AA, which includes areas in Missouri and Illinois. The Illinois Non-MSA AA includes Marion, Jefferson, Franklin, Williamson, Wayne, Hamilton, Saline and White Counties. The St. Louis AA includes the City of St. Louis and part of St. Louis County in Missouri and part of St. Clair and Clinton Counties in Illinois; this AA is part of the St. Louis MO-IL Metropolitan Statistical Area (MSA) #41180. Both AAs received full-scope reviews. PNB's performance in the Illinois Non-MSA AA was weighted most heavily in arriving at the overall conclusions, as the bank's largest market share for loans and deposits is concentrated in the Illinois Non-MSA AA.

The evaluation period covers December 1, 2009 through May 12, 2014. We evaluated CD activities over the entire period. The lending test sampled loans originated or purchased from January 1, 2012 through December 31, 2013. Conclusions regarding

the bank's lending performance are based on PNB's primary loan products: business (non-agricultural) loans and residential real estate (RRE) loans. We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA) prior to this evaluation. We found the HMDA data to be accurate and reliable. The loan data we analyzed included all HMDA loans and a sample of business loans from both the Illinois Non-MSA AA and the St. Louis MO-IL MSA #41180 AA that were originated or purchased during the evaluation period.

Description of Institution

PNB is a full-service interstate bank headquartered in Mount Vernon, Illinois. It is a wholly owned subsidiary of Market Street Bancshares, Inc., a one-bank holding company. As of December 31, 2013, PNB reported total assets of \$913 million, net loans of \$752 million, and a Net Tier One Capital of \$83.7 million.

PNB has eighteen branches total and operates primarily in the Illinois Non-MSA AA. PNB branches in Illinois are located in Benton (2), Carmi, Centralia (2), Dahlgren, Fairfield, Harrisburg (2), Marion (2), McLeansboro (2), Mt. Vernon (2), and Salem. PNB has two Missouri branch offices, one located in St. Louis City and the other in Clayton. The bank has seventeen 24-hour, full-service ATMs and five cash-only ATMs. The bank also maintains corporate offices in Mt. Vernon and Belleville IL and in St. Louis MO.

Since the prior CRA evaluation, PNB closed two branch offices in Belleville IL (one in 2010 and the other in 2013) and one branch office in St. Louis MO in 2013. The bank expanded by adding a new branch in each of the following locations: Marion IL (2009), Carmi IL (2010), St. Louis MO (2012), Benton IL (2013) and Centralia IL (2013).

PNB offers a full range of loan and deposit products and services to its customers. PNB's business strategy focuses on lending products including agricultural, residential, commercial real estate, and commercial loans. PNB partnered with the U.S. Small Business Administration (SBA) to offer the Small/Rural Lender Advantage small business loans, focusing on smaller loans than those offered by a traditional SBA loan. This flexible product helps keep businesses in communities and local people employed.

As of December 31, 2013, the loan portfolio is comprised of real estate loans (61%), commercial loans (26%), agricultural loans (12%), and consumer loans (1%).

PNB received a "Satisfactory" rating at the last CRA evaluation dated November 30, 2009. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs.

Ratings

The bank's overall rating is a blend of the State of Illinois rating and the St. Louis MO-IL MSA #41180 rating. We placed more weight on the State of Illinois rating because a substantial majority of the bank's deposits (94%) and branches (83%) are from this area. The State of Illinois AA encompasses eight Non-MSA Illinois counties. The MSA AA consists of parts of the St. Louis MO-IL MSA #41180, a multistate MSA. See the respective sections for a full description of each AA. Both AAs received full-scope reviews.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

The bank's loan-to-Deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. The average LTD for the seventeen quarters since the last CRA evaluation and ending December 31, 2013, was 83.39%. The quarterly average LTD ratio for similarly situated banks within the AAs ranged from 69% to 102%. PNB has the fifth highest quarterly average LTD ratio for the ten comparable banks with total assets between \$500 million and \$1.4 billion.

Lending in Assessment Area

A majority (83%) of loans were originated or purchased within PNB's two AAs. Based on 1,433 home mortgage loans originated or purchased by the bank from January 1, 2012 through December 31, 2013, 83% of the number and 79% of the dollar amount of loans were to borrowers located in the AAs. Based on our sample of 20 business loans, 80% were originated or purchased within the bank's AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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

State Rating

State of Illinois

CRA Rating for Illinois: Satisfactory.

The Lending test is rated: Satisfactory

The Community Development test is rated: Outstanding.

The major factors that support this rating include:

- The distribution of loans among borrowers of different income levels reflects reasonable penetration.
- The geographic distribution of loans among geographies reflects reasonable dispersion.
- CD activities reflect excellent responsiveness to the community needs.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS

The bank’s Illinois Non-MSA AA is comprised of the entire counties of Franklin, Hamilton, Jefferson, Marion, Saline, Wayne, White and Williamson in Illinois. As of June 30, 2013, PNB’s deposits in the AA totaled \$715.5 million, which ranks PNB first out of 36 institutions in this AA with a 15% deposit market share. PNB has fifteen branches, one corporate center, and fourteen 24-hour full-service ATMs within the AA.

The median family income according to 2010 Census data is \$54,549. The Federal Financial Institutions Examination Council (FFIEC) updated median family income for 2013 is \$56,200. The AA has one low-income CT (1%), 22 moderate-income CTs (31%), 47 middle-income CTs (65%), and two upper-income CTs (3%).

Major industries in this AA are services (41%), retail trade (14%), and agriculture/forestry/fishing (9%). Major employers are in the education and healthcare fields. Businesses with revenues of \$1 million or less make up 73% of all businesses in the AA. February 2014 statistics compiled by the Illinois department of Economic Development provide the following unemployment rates for the counties within the bank’s AA.

County	Franklin	Hamilton	Jefferson	Marion	Saline	Wayne	White	Williamson
Unemployment Rate	13.30%	10.30%	9.10%	11.80%	10.80%	9.80%	8.90%	9.60%

Several of these counties were identified as having Distressed Middle-Income Nonmetropolitan Tracts during this evaluation period, as shown on the next table.

	2009		2012		2013	
	# of CTs	Reason	# of CTs	Reason	# of CTs	Reason
Franklin	7	Unemployment	5	Poverty		
Marion	10	Unemployment				
Saline	6	Poverty			5	Poverty

The 2010 Census data reports the majority of the housing within the AA is owner-occupied (67%). The median housing value is \$77,069. Additional demographic information is shown on the table below.

Demographic Information for Full Scope Area: Illinois NonMSA AA					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts/BNAs)	72	1.39	30.56	65.28	2.78
Population by Geography	248,977	0.58	28.33	68.13	2.97
Owner-Occupied Housing by Geography	76,891	0.24	25.70	70.81	3.25
Business by Geography	16,593	2.09	35.32	59.21	3.38
Farms by Geography	1,558	0.06	12.32	85.94	1.67
Family Distribution by Income Level	67,957	23.95	20.37	21.70	33.98
Distribution of Low and Moderate Income Families throughout AA Geographies	30,116	0.73	34.50	63.07	1.70
Median Family Income		54,549	Median Housing Value		77,069
FFIEC Adjusted Median Family Income for 2013		56,200	Unemployment Rate (2010 US Census)		4.47%
Households Below Poverty Level		17%			

Source: 2010 US Census and 2013 FFIEC updated MFI

We determined the community’s needs by contacting representatives from three housing organizations and an economic development organization. We identified the following credit and non-credit related needs in the AA:

- Affordable housing for low- and moderate-income individuals,
- Down payment assistance programs,
- Financial literacy counseling, and
- Second chance style checking accounts.

SCOPE OF EVALUATION IN ILLINOIS

The Illinois Non-MSA AA received a full-scope review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance under the lending test in Illinois is rated Satisfactory.

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

PNB's lending distribution to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.

Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration based on a sample of loans originated or purchased in 2012 and 2013. The percentage of loans extended to businesses with revenues of \$1 million or less (90%) exceeds the percentage of businesses with revenues of \$1 million or less (71%).

Borrower Distribution of Loans to Businesses in the Illinois Non-MSA AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	71%	4%	25%	100%
% of Bank Loans in AA by #	90%	10%	0%	100%
% of Bank Loans in AA by \$	89%	11%	0%	100%

Source: Sample of 20 business loans; 2013 Business Geodemographic Data.

Residential Real Estate Loans

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. We considered the percentage of families who live below the poverty level (13%) and the barriers this may have on home ownership. We also considered the level of competition in the AA a significant factor, with PNB competing against numerous other institutions for market share. These two factors weighed heavily into our conclusions in the following residential real estate lending categories.

PNB's percentage of home purchase loans to low-income borrowers (11.31%) is significantly lower than the percentage of low-income families (23.95%) in the AA. However, the bank's market share of home purchase loans to low-income borrowers (15.82%) is near the bank's overall market share (17.59%). PNB ranked second out of 34 lenders originating home purchase loans to low-income borrowers in the AA according to 2012 peer mortgage data. The bank's percentage of home purchase loans to moderate-income borrowers (24.95%) exceeds the percentage of moderate-income families (20.37%) in the AA, and the bank's market share of home purchase loans to moderate-income borrowers (16.81%) approximates the bank's overall market share (17.59%).

The bank's percentage of home improvement loans to low-income borrowers (6.06%) is well below the percentage of low-income families (23.95%) in the AA, but its market share of home improvement loans to low-income borrowers (15.38%) meets the bank's overall market share (15.48%). Also, PNB ranked second out of 13 lenders making home improvement loans to low-income borrowers in the AA, according to 2012 peer mortgage data. PNB's percentage of home improvement loans to moderate-income borrowers (15.15%) is below the percentage of moderate-income families (20.37%) in the AA. Its market share of home improvement loans to moderate-income borrowers (12.70%) is near the overall market share (15.48%). PNB ranked second out of 20 lenders originating home improvement loans to moderate-income borrowers in the AA.

PNB's percentage of home mortgage refinance loans to low- (5.29%) and moderate-income borrowers (11.84%) is significantly lower than the percentage of low- and moderate-income families (23.95% and 20.37%, respectively) in the AA. The bank's market share of home mortgage refinance loans to low- and moderate-income borrowers (both at 8.2%) is also lower than the bank's overall market share (13.5%). PNB ranked second out of 54 lenders making home mortgage refinance loans to low-income borrowers, and first out of 60 lenders making home mortgage refinance loans to moderate-income borrowers in the AA.

Borrower Distribution of Residential Real Estate Loans in the Illinois Non-MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans						
Home Purchase	23.95%	11.31%	20.37%	24.95%	21.70%	28.27%	33.98%	35.48%
Home Improvement	23.95%	6.06%	20.37%	15.15%	21.70%	28.28%	33.98%	50.51%
Home Mortgage Refinance	23.95%	5.29%	20.37%	11.84%	21.70%	27.27%	33.98%	55.60%

Source: RRE loan data reported under HMDA for 2012 and 2013; 2010 U.S. Census Data.

Borrower Distribution – Market share Information in the Illinois Non-MSA AA					
Borrower Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	17.59%	15.82%	16.81%	17.65%	18.8%
Home Improvement	15.48%	15.38%	12.70%	15.38%	16.78%
Home Mortgage Refinance	13.50%	8.20%	8.21%	14.71%	15.11%

Source: Based on 2012 Peer Mortgage Data (USPR)

Geographic Distribution of Loans

The geographic distribution of business loans and RRE loans reflects reasonable dispersion. PNB lends in all census tracts within the AA.

Business Loans

The geographic distribution of business loans originated or purchased during the evaluation period is reasonable based on a sample of loans originated in 2012 and 2013. The percentage of business loans in low-income geographies (3.33%) exceeds the percentage of businesses within those geographies (2.09%). The percentage of business loans in moderate-income geographies (30%) is somewhat lower than the percentage of businesses within those geographies (35.32%).

Geographic Distribution of Business Loans in the Illinois Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business	2.09%	3.33%	35.32%	30.00%	59.21%	66.67%	3.38%	0.00%

Source: Sample of 30 business loans; 2013 Business Geodemographic data

Residential Real Estate Loans

The geographic distribution of RRE loans originated or purchased during the evaluation period is reasonable. In our conclusion, we took into consideration that less than 1% of the owner-occupied units in the AA are located in the low-income CTs.

The percentage of home purchase loans in moderate-income geographies (18.18%) is somewhat lower than the percentage of owner-occupied housing units within those geographies (25.70%). The bank's market share of home purchase loans in moderate-income geographies (13.52%) is slightly lower than the bank's overall market share (16.42%). PNB did not originate or purchase any home purchase loans in the low-income geography during the evaluation period.

The percentage of home improvement loans in moderate-income geographies (18.63%) is somewhat lower than the percentage of owner-occupied housing units within those geographies (25.70%). The bank's market share of home improvement loans in moderate-income geographies (16.44%) exceeds the bank's overall market share (14.45%). PNB did not originate or purchase any home improvement loans in the low-income geography during the evaluation period.

The percentage of home mortgage refinance loans in the low-income geography (0.20%) meets the percentage of owner-occupied housing units within that geography (0.24%). The bank's market share of home mortgage refinance loans in the low-income geography (33.33%) significantly exceeds the bank's overall market share (11.90%). The percentage of home mortgage refinance loans in the moderate-income

geographies (12.58%) is lower than the percentage of owner-occupied housing units within those geographies (25.70%). The bank's market share of home mortgage refinance loans in the moderate-income geographies (10.30%) is slightly below the bank's overall market share (11.90%).

Geographic Distribution of Residential Real Estate Loans in the Illinois Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.24%	0.00%	25.70%	18.18%	70.81%	77.27%	3.25%	4.55%
Home Improvement	0.24%	0.00%	25.70%	18.63%	70.81%	75.49%	3.25%	5.88%
Home Mortgage Refinance	0.24%	0.20%	25.70%	12.58%	70.81%	81.95%	3.25%	5.27%

Source: RRE loan data reported under HMDA in 2012 and 2013; 2010 U.S. Census Data.

Geographic Distribution – Market share Information in the Illinois Non-MSA AA					
Census Tract Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	16.42%	0.00%	13.52%	17.05%	20.90%
Home Improvement	14.45%	0.00%	16.44%	13.60%	25.00%
Home Mortgage Refinance	11.90%	33.33%	10.30%	12.08%	14.29%

Source: Based on 2012 Peer Mortgage Data (USPR)

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Illinois is rated Outstanding. Based on the full-scope review, the bank's CD performance in this state reflects excellent responsiveness to the needs of the community.

Number and Amount of Community Development Loans

PNB originated twenty-five CD loans totaling \$50.8 million.

PNB originated seven CD loans totaling \$10.6 million to five school districts in a moderate-income CT or in a middle-income distressed CT within the AA to provide funds for renovation, to provide operating funds in anticipation of tax income, and to build a new special education building.

PNB originated thirteen CD loans totaling \$20.9 million to manufacturing companies located in moderate-income CTs:

- To construct a new facility in a moderate-income CT. The company retained 14 jobs and added two new jobs.
- To construct additions to a facility and to provide operating funds to expand products, creating new jobs and stabilizing the community.
- To construct a new plant and purchase equipment, adding approximately 85 new jobs to low- and moderate-income individuals in the community.

PNB originated four CD loans totaling \$15.4 million to three hospitals located within the AA:

- To provide operating money to a hospital located in a middle-income CT distressed by unemployment and poverty during a portion of our evaluation period.
- To provide proceeds to modernize a hospital located in a middle-income CT distressed by unemployment during a portion of our evaluation period.
- To construct a clinic and rural health care center in a moderate-income CT.

PNB originated one loan totaling \$3.9 million to refinance loans used to finance infrastructure for a water distribution system that provides water to low- and moderate-income individuals.

Number and Amount of Qualified Investments

During the evaluation period, PNB made qualified investments totaling \$362,860 in the AA.

- One investment in the amount of \$181,500 was to a school district where the majority of the student body are from low- and moderate-income families.
- One investment in the amount of \$151,460 to a city in a moderate-income community.
- Donations in the amount of \$29,900 to organizations providing services and affordable housing to low- and moderate-income individuals.

Current balances on four prior period qualified investments purchased by PNB total \$553,967.

Extent to Which the Bank Provides Community Development Services

PNB representatives provided CD services by:

- Performing financial and loan application reviews and serving as directors for Industrial Boards and Community Development Organizations in distressed/underserved middle-income CTs.
- Serving on boards of non-profit organizations providing services to low- and moderate-income individuals.
- Providing financial literacy training to low- and moderate-income youth in junior high and high school.

- Providing financial literacy training to low- and moderate-income adults.

PNB has fifteen full-service branch offices and fourteen 24-hr full-service ATMs located in the AA, distributed as follows:

	# of full-service offices	# of full-service ATMs
Low-income CTs	1	1
Moderate-income CTs	5	5
Middle-income CTs	7	6
Upper-income CTs	2	2

Additionally, PNB offers alternative methods (online banking and mobile banking) to supplement its branch network and to reach customers without access to a branch location.

Responsiveness to Community Development Needs

PNB's overall community development performance reflects excellent responsiveness to the needs and opportunities of the AA through CD loans, investments, volunteer efforts and community services.

PNB has been a long-time U.S. Small Business Administration (SBA) lender, offering loans using the SBA 7(a) Loan Program, the SBA Express Program, the Patriot Express Program, the Certified Development Company/SBA 504 Loan Program, and the Small/Rural Lender Advantage initiative. The Small/Rural Lender Advantage initiative's flexibility promotes economic development and job retention in communities.

Multistate Metropolitan Area Rating

St. Louis MO-IL MSA #41180 AA

CRA Rating for the St. Louis MO-IL MSA #41180 AA: Satisfactory.

The Lending test is rated: Satisfactory.

The Community Development test is rated: Outstanding.

The major factors that support this rating include:

- The distribution of loans among borrowers of different income levels reflects reasonable penetration.
- The geographic distribution reflects reasonable dispersion for RRE loans and excellent dispersion for loans to small businesses.
- PNB demonstrates excellent responsiveness to the CD needs of the AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ST. LOUIS MO-IL MSA #41180 AA

This AA includes the whole City of St. Louis and 84 CTs in St. Louis County in Missouri, and 18 CTs in St. Clair County and one CT in Clinton County in Illinois. This AA encompasses a portion of the multi-state St. Louis MO-IL MSA #41180. PNB has three full-service branches and two corporate offices in this AA.

FDIC data as of June 30, 2013 indicates PNB's deposits in this AA totaled \$49 million, which gives PNB a 0.07% deposit market share and ranks it 55th out of 75 deposit-taking institutions in this area. The three largest financial institutions in the bank's AA are Scottrade Bank, U.S. Bank N.A., and Bank of America N.A.

The St. Louis economic recovery continues to lag national trends. However, the housing market appears to have stabilized and experienced two consecutive years of price appreciation in 2012 and 2013. Building activity has increased and is forecasted to sustain weak employment and income growth in the near term. The healthcare sector employs the most workers in St. Louis, followed by administrative and support, and manufacturing. St. Louis is headquarters for eight Fortune 500 companies, including Express Scripts Holdings, Emerson Electric, and Monsanto. Major employers include BJC Health Care, SSM Healthcare Hospital, and Boeing Integrated Defense Systems.

In the St. Louis MSA AA, non-agricultural wage and salaried employment increased from 1,282,000 in January 2012 to 1,326,000 in December 2013, an increase of 3%. During this same period, the unemployment rate decreased from 8.4% to 6.7%. In St. Clair County, IL, the unemployment rate decreased from 10.6% in January 2012 to

9.4% in December 2013. In Clinton County, IL, the unemployment rate decreased from 9.2% to 7.1% during the same period. Missouri and Illinois unemployment rates were 6.0% and 8.9%, respectively, as of December 2013. In the St. Louis MSA AA, 15% of households live in poverty.

The 2013 FFIEC adjusted median family income for the AA is \$69,200. As of the 2010 Census, 25% and 17% of families earned low- and moderate-incomes, respectively. The 2010 median housing value for the AA is \$190,538. Below is some key 2010 Census information for the St. Louis MSA AA.

Demographic Information for Full Scope Area: St Louis MO-IL MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	209	22.97	23.92	26.32	26.32	0.48
Population by Geography	809,773	15.59	23.59	27.69	32.99	0.14
Owner-Occupied Housing by Geography	211,931	9.19	21.27	30.59	38.95	0.00
Business by Geography	79,149	9.99	19.57	24.01	46.22	0.21
Farms by Geography	1,205	5.31	22.24	28.88	43.32	0.25
Family Distribution by Income Level	195,084	25.14	16.65	18.60	39.61	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	81,521	26.34	32.18	25.33	16.15	0.01
Median Family Income		67,013	Median Housing Value		190,538	
FFIEC Adjusted Median Family Income for 2013		69,200	Unemployment Rate (2010 US Census)		4.62%	
Households Below Poverty Level		15%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 US Census and 2013 FFIEC updated MFI

We determined the community’s needs by contacting individuals from four housing organizations serving the St. Louis MSA AA. These representatives identified the following credit and non-credit related needs in this AA:

- Funding capital for small business lending,
- Mortgage products geared towards home improvements and remodeling,
- Affordable housing, and
- Flexible mortgage and retail banking products.

SCOPE OF EVALUATION IN ST LOUIS MO-IL MSA #41180

The St. Louis MO-IL MSA #41180 AA received a full-scope review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. LOUIS MO-IL MSA #41180

LENDING TEST

The bank's performance under the lending test in the St. Louis MO-IL MSA #41180 is rated Satisfactory.

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

Lending to individuals with different income levels and to businesses of different sizes reflects reasonable penetration. The number of home improvement loans (4) in this AA is not significant enough to perform a meaningful analysis.

Business Loans

PNB's overall distribution of loans to small businesses reflects reasonable penetration. Based on our sample of 2012 and 2013 originated or purchased loans, PNB's percentage (75%) of loans to businesses with revenues of \$1 million or less exceeds the percentage (68%) of area businesses that had revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in the St. Louis MSA AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	68%	7%	25%	100%
% of Bank Loans in AA by #	75%	25%	0%	100%
% of Bank Loans in AA by \$	63%	37%	0%	100%

Source: Sample of 20 business loans; 2013 Business Geodemographic Data.

Residential Real Estate Loans

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. In evaluating the borrower distribution, we considered the percentage of families (11%) who live below the poverty level and the barriers this may have on home ownership. We also considered the level of competition in the AA a significant factor, with PNB competing against numerous other institutions for market share. These two factors weighed heavily into our conclusions in the following residential real estate lending categories.

The percentage of home purchase loans (5.88%) and home mortgage refinance loans (0%) to low-income borrowers is significantly lower than the percentage of AA families who are low-income (25.14%). This low penetration is mitigated by the significant competition in the MSA. Approximately 89% of the home purchase loans and 85% of the home mortgage refinance loans to low-income borrowers were made by the top one-third banks in the MSA. PNB is not in the top one-third of banks in the MSA. The percentage of home purchase loans to moderate-income borrowers (11.76%) is lower than the percentage of moderate-income families in the AA (16.65%). The percentage

of home mortgage refinance loans to moderate-income borrowers (15.15%) is near the percentage of moderate-income families in the AA (16.65%).

Borrower Distribution of Residential Real Estate Loans in the St. Louis MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans						
Home Purchase	25.14%	5.88%	16.65%	11.76%	18.60%	17.65%	39.61%	64.71%
Home Improvement	25.14%	25.00%	16.65%	25.00%	18.60%	0.00%	39.61%	50.00%
Home Mortgage Refinance	25.14%	0.00%	16.65%	15.15%	18.60%	15.15%	39.61%	69.70%

Source: RRE loan data reported under HMDA in 2012 and 2013; 2010 U.S. Census Data.

Geographic Distribution of Loans

The geographic distribution of business and RRE loans originated or purchased during the evaluation period reflects reasonable dispersion. The bank lends in many CTs in the AA. The number of home improvement loans (4) in this AA is not significant enough to perform a meaningful analysis.

Business Loans

The geographic distribution of business loans is excellent based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of business loans in low-income geographies (10%) meets the percentage of businesses within those geographies (9.98%). The percentage of business loans in moderate-income geographies (20%) exceeds the percentage of businesses within those geographies (19.49%).

Geographic Distribution of Business Loans in the St. Louis MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Business	9.98%	10.0%	19.49%	20.0%	23.86%	25%	46.55%	45%

Source: Sample of 20 business loans; 2013 Business Geodemographic data.

Residential Real Estate Loans

The geographic distribution of RRE loans is reasonable. In evaluating the geographic distribution of RRE loans, we considered the percentage of families (11%) who live below the poverty level and the barriers this may have on home ownership. We also considered the level of competition in the AA a significant factor, with PNB competing against numerous other institutions for market share. These two factors weighed heavily into our conclusions.

The bank did not originate or purchase any home purchase loans in low-income geographies. However, the percentage of home purchase loans in moderate-income geographies (25%) exceeds the percentage of owner-occupied housing units within those geographies (21.27%).

The percentage of home mortgage refinance loans in low-income geographies (3.03%) is lower than the percentage of owner-occupied housing units within those geographies (9.19%). The percentage of home mortgage refinance loans in moderate-income geographies (12.12%) is also lower than the percentage of owner-occupied housing units within those geographies (21.27%).

Geographic Distribution of Residential Real Estate Loans in the St. Louis MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	9.19%	0.00%	21.27%	25.00%	30.59%	25.00%	38.95%	50.00%
Home Improvement	9.19%	0.00%	21.27%	25.00%	30.59%	25.00%	38.95%	50.00%
Home Mortgage Refinance	9.19%	3.03%	21.27%	12.12%	30.59%	27.27%	38.95%	57.58%

Source: RRE loan data reported under HMDA in 2012 and 2013; 2010 U.S. Census Data.

Responses to Complaints

No CRA-related complaints have been received by the bank or the OCC since the prior CRA evaluation.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in the St. Louis MO-IL MSA #41180 AA is rated Outstanding.

Number and Amount of Community Development Loans

PNB originated thirteen CD loans totaling \$18.9 million. Information regarding these loans is summarized below.

- PNB originated three CD loans totaling \$3.9 million to construct a new convenience store and gas station in a low-income CT, providing employment to 30-35 low- and moderate-income individuals.
- PNB originated two CD loans totaling \$3.7 million. Loan proceeds and funds from federal and state low-income tax credits were used for the rehabilitation of a 39-unit housing complex in a low-income CT.
- PNB originated one CD loan in the amount of \$3.1 million. Loan proceeds and funds from St. Louis New Market Credits, state and federal tax credits, and IFF funding were used to redevelop former commercial buildings into a tuition-free school for local kids.
- PNB originated five CD loans totaling \$0.9 million to fund projects to revitalize and rehabilitate affordable housing units in a low-income CT.
- PNB originated one loan in the amount of \$3.8 million that provided partial funding for the purchase and rehabilitation of the historic Sun Theatre. The theatre will serve as a performance hall for Grand Center Arts Academy located in a low-income CT.
- PNB originated one CD loan totaling \$3.5 million. Loan proceeds and funds from IFF funding and new market tax credits were used to rehabilitate a long-vacant commercial property as part of the St. Louis RPA1 Redevelopment Project.

Number and Amount of Qualified Investments

PNB made two qualified investments totaling \$909,390 in the St. Louis MSA AA. The qualified investments are to organizations providing affordable housing units and revitalization.

Extent to Which the Bank Provides Community Development Services

A PNB representative provided CD services by serving on the board of an organization providing financial literacy to teens.

PNB's service delivery systems are reasonably accessible to geographies and individuals of different income levels. The bank has three full-service branch offices and three 24-hr full-service ATMs in the AA. One of the full-service branch offices and one 24-hr full service ATM are located in a moderate-income geography.

Additionally, PNB offers alternative methods (online banking and mobile banking) to supplement its branch network and to reach customers without access to a branch location.

Responsiveness to Community Development Needs

PNB's CD activities demonstrated excellent responsiveness to community needs given the identified needs of affordable housing and small business financing, the complexity of the activities, and PNB's small deposit market share of 0.07% in this AA.

PNB has been a long-time U.S. Small Business Administration (SBA) lender, offering loans using the SBA 7(a) Loan Program, the SBA Express Program, the Patriot Express Program, the Certified Development Company/SBA 504 Loan Program, and the Small/Rural Lender Advantage initiative. The Small/Rural Lender Advantage initiative's flexibility promotes economic development and job retention in communities.

Appendix A: Scope of Evaluation

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

Time Period Reviewed	Lending Test: 01/01/2012 to 12/31/2013 Community Development Test: 12/01/2009 to 5/12/2014	
Financial Institution	Products Reviewed	
Peoples National Bank (PNB)	Business and Home Mortgage Loans	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Evaluation	Other Information
State of Illinois	Full-Scope	
St. Louis MO-IL Multistate MSA #41180	Full-Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Peoples National Bank	Satisfactory	Outstanding	Satisfactory
Illinois	Satisfactory	Outstanding	Satisfactory
St. Louis MO-IL MSA #41180 AA	Satisfactory	Outstanding	Satisfactory