



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 30, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples National Bank, National Association
Charter Number 9408

116 South Washington
McLeansboro, IL 62859

Office of the Comptroller of the Currency

St. Louis Field Office
2350 Market Street, Room 100
St. Louis, MO 63103

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 the state of Illinois rating and the St. Louis, MO-IL Metropolitan Area (MA) #41180 rating. The major factors that support this rating include:

- The distribution of loans among borrowers of different income levels reflects reasonable penetration in the St. Louis, MO-IL MA #41180 and in the state of Illinois.
- The distribution of loans among geographies reflects reasonable dispersion in the St. Louis, MO-IL MA #41180 and in the state of Illinois.
- Community development (CD) activities reflect excellent responsiveness to the community needs in the St. Louis, MO-IL MA #41180 and in the state of Illinois.
- A majority of loans were originated or purchased within the bank's two assessment areas (AAs).
- The bank's quarterly average loan-to-deposit (LTD) ratio is more than reasonable.

Scope of Examination

This Performance Evaluation of Peoples National Bank, National Association (PNB) assesses its 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 CD test. The lending test evaluates a bank's record of helping to meet the credit needs of its AAs through its lending activities. The CD test evaluates a bank's CD lending, qualified investments, and CD services activities.

The evaluation period covers loans originated or purchased from January 1, 2007 through September 30, 2009. Conclusions regarding the bank's lending performance are based on PNB's primary loan products: residential real estate (RRE) and business (non-agricultural) loans. We conducted a data integrity review of the RRE loans reported under the Home Mortgage Disclosure Act (HMDA). We found the HMDA data to be accurate and reliable. The loan data we analyzed included all HMDA loans and twenty business loans from both the state of Illinois and the St. Louis, MO-IL MA #41180 that were originated or purchased during the evaluation period.

Description of Institution

PNB is wholly owned by Market Street Bancshares, Inc., a one-bank holding company located in Mount Vernon, Illinois. As of September 30, 2009, PNB reported total assets of \$762 million and Net Tier One Capital of \$75 million.

PNB's business strategy focuses on RRE and commercial loans. Loan products offered include one-to-four family RRE loans, agricultural loans, commercial loans, commercial real estate loans, and consumer loans. As of September 30, 2009, net loans represented 80% of total assets and consisted of commercial and commercial real estate loans (55%), RRE loans (19%), agricultural and agricultural real estate loans (22%), consumer loans (1%), and other loans (3%).

PNB is an interstate bank with 14 branch offices located in Illinois (12) and Missouri (2). There are no legal, financial, or other factors impeding PNB's ability to help meet the credit needs of the AAs it serves.

In September 2007, October 2007, and May 2008, respectively, PNB opened branch offices in Saline County and Franklin County, Illinois, and in St. Louis County, Missouri, creating new AAs. We did evaluate PNB's performance in these counties since the bank had a presence in the AAs for the majority of the evaluation period. In April 2007, PNB closed a branch office in Marion County, Illinois. In May 2008, PNB opened a branch office in Jefferson County, Illinois. PNB had other branches in these counties, so these events did not impact its AAs. In November 2008, PNB sold its branches in Fayette County and Effingham County, Illinois. We did not consider PNB's performance in these two counties as part of this evaluation.

PNB was rated "Satisfactory" at its last CRA evaluation dated March 5, 2007.

Ratings

The bank's overall rating is a blend of the state of Illinois rating and the St. Louis, MO-IL MA #41180 rating. We placed more weight on the state of Illinois rating because a substantial majority of the bank's deposits (92%) and branches (86%) are from this area. The state of Illinois AA encompasses seven non-MA Illinois counties; the MA AA consists of parts of the St. Louis, MO-IL MA #41180, a multistate MA. 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

PNB's LTD ratio is more than reasonable given the institution's size, its financial condition, and AA credit needs.

As of September 30, 2009, PNB's LTD ratio was 89%. The bank's quarterly average LTD ratio since the last CRA evaluation was 90%. This ratio is higher than seven comparable banks and lower than eight others. The average LTD ratio of these banks, which are comparable in size and location, ranges from 61% to 101% for the same time period.

Lending in Assessment Area

A majority (77%) of loans were originated or purchased within PNB's two AAs. PNB originated or purchased 78%, 82%, and 76% of home purchase, home improvement, and home mortgage refinance loans, respectively, within its AAs. Based on our sample of business loans, 60% were originated or purchased within the bank's AAs.

Lending in Non-MA Illinois Counties and St. Louis, MO-IL MA #41180										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total (\$)
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,302	78%	375	22%	1,677	\$106,367	72%	\$42,005	28%	\$148,372
Home Improvement	113	82%	25	18%	138	8,692	81%	1,994	19%	10,686
Home Mortgage Refinance	932	76%	292	24%	1,224	103,327	69%	46,803	31%	150,130
Business	24	60%	16	40%	40	2,450	32%	5,231	68%	7,681
Totals	2,371	77%	708	23%	3,079	\$220,836	69%	\$96,033	31%	\$316,869

Source: RRE loan data reported under HMDA for the period 2007 through September 30, 2009, and a sample of 40 business loans.

Fair Lending or Other Illegal Credit Practices Review

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

Multistate Metropolitan Area Rating

St. Louis, MO-IL MA #41180

CRA Rating for the St. Louis, MO-IL MA #41180¹: 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 THE ST. LOUIS, MO-IL MA #41180

PNB's current AA consists of one entire county and portions of 3 of the 16 counties that comprise the St. Louis, MO-IL MA #41180. The AA consists of eight census tracts (CTs) in St. Louis County, Missouri; the entire St. Louis City, Missouri; one geography (CT 9005) in Clinton County, Illinois (city of Brookside); and fourteen geographies in St. Clair County, Illinois. The eight geographies in St. Louis County are located in the city of Clayton and the adjoining townships of Hadley and Jefferson. These eight geographies consist of CTs 2161.00, 2162.00, 2163.00, 2164.00, 2165.00, 2166.00, 2167.00, and 2168.00. The Clinton County CT is adjacent to Centralia, Illinois, a town on the western edge of Marion County in the non-MA AA. The fourteen CTs in St. Clair County are located in the City of Belleville and in St. Clair Township; they consist of CTs 5015.01, 5015.02, 5016.01, 5016.02, 5016.03, 5017.00, 5018.00, 5019.00, 5032.11, 5033.01, 5033.04, 5033.21, 5033.22, and 5033.32. PNB's AA excludes Franklin, Jefferson, Lincoln, St. Charles, Warren, and Washington Counties, Missouri; and Bond, Calhoun, Jersey, Macoupin, Madison, and Monroe Counties, Illinois. PNB has three branch offices located in this AA, one each in the cities of Clayton and St. Louis, Missouri, and Belleville, Illinois.

There are 39 low- and 53 moderate-income geographies within this AA. No PNB branches are located in low-income geographies, and the substantial majority of the low-income geographies are not adjacent or in close proximity to the geographies in which PNB's branches are located.

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

PNB's deposits in this AA total \$56 million. This represents 8% of the bank's total deposits. PNB is the 61st largest deposit-taking institution in the AA with a .11% market share as of June 30, 2009. Major competitors include U.S. Bank, N.A., Bank of America, N.A., and Southwest Bank.

The St. Louis economy has taken numerous blows in recent months, and employment is contracting at an accelerating pace. Domestic automaker bankruptcies have been particularly unfavorable for the metro area, with large-scale layoffs and plant closures occurring at those companies and their suppliers. While construction payrolls are falling at a significant rate, the housing market appears to be nearing the bottom. The decline in building activity is slowing and house prices have recently flattened. However, the damage to goods producers has been done and the weight on service industries is escalating. Major industries consist of education and health services, followed by professional and business services, and government. Major employers include BCE Health Care, Boeing Integrated Defense Systems, and Wal-Mart Stores, Inc.²

In the AA, non-agricultural wage and salaried employment declined from 777,108 in March 2007 to 732,526 in September 2009, a decrease of 6%. During this same time period, the unemployment rate increased from 5.3% to 10%. The state of Missouri and state of Illinois unemployment rates were 9.3% and 10.2%, respectively, as of September 2009. St. Louis City, Missouri and Clinton County, Illinois had the highest and lowest unemployment rates in the AA, 11.3% and 7.8%, respectively. Seventeen percent of families live below the poverty level in the AA based on 2000 Census Data.

The 2009 Department of Housing and Urban Development (HUD) adjusted median family income for the AA is \$67,900. Thirty-five percent and 20% of families are low- and moderate-income, respectively, based on 2000 Census Data. The 2000 median housing value for the AA is \$77,113. The following is additional demographic data for the AA.

² Moody's Economy.com, June 2009

DEMOGRAPHIC DATA FOR THE ST. LOUIS, MO-IL MA #41180						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	136	28.68	38.97	23.53	6.62	2.20
Population by Geography	467,074	22.83	38.42	29.16	9.57	0.02
Owner-Occupied Housing by Geography	98,425	15.00	37.02	36.93	11.05	0.00
Business by Geography	36,710	19.61	37.03	22.53	19.10	1.73
Farms by Geography	403	12.66	44.91	30.52	11.41	0.50
Family Distribution by Income Level	106,320	35.04	20.27	18.87	25.81	0.01
Distribution of Low and Moderate Income Families throughout AA Geographies	58,812	31.62	42.96	21.66	3.75	0.01
Median Family Income		\$53,435	Median Housing Value	\$77,113		
HUD Adjusted Median Family Income for 2009		\$67,900	Unemployment Rate	10.0%		
Households Below Poverty Level		19%	(September 2009)			

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2009 HUD 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 this AA:

- Investment in CD financial institutions that provide funding for small business loans.
- Revitalization and home improvement loans for the deteriorating older housing stock.
- Affordable and below market rate owner occupied housing loans for low- and moderate-income individuals.
- Affordable housing for low- and moderate-income individuals.
- Below market rate loans for non-owner occupied housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ST. LOUIS, MO-IL MA #41180

LENDING TEST

The bank’s performance under the lending test in the St. Louis, MO-IL MA #41180 is rated “Satisfactory.” Based on the full-scope review, the bank’s lending performance in this AA is reasonable.

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. The number of home improvement loans (2) and home mortgage refinance loans (15) in this AA are not significant enough to perform a meaningful analysis.

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 (17%) who live below the poverty level and the barriers this may have on home ownership. We also considered that there was a higher percentage of low-income families compared to moderate-income families.

The percentage of home purchase loans to low-income borrowers was somewhat lower than the percentage of AA families who are low-income. The percentage of home purchase loans to moderate-income borrowers was lower than the percentage of AA families who are moderate-income.

Borrower Distribution of Residential Real Estate Loans in the St. Louis, MO-IL MA #41180 AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	35.0%	26.3%	20.3%	10.5%	18.9%	21.1%	25.8%	42.1%
Home Improvement	35.0%	0.0%	20.3%	100.0%	18.9%	0.0%	25.8%	0.0%
Home Mortgage Refinance	35.0%	16.7%	20.3%	25.0%	18.9%	16.7%	25.8%	41.6%

Source: RRE loan data reported under HMDA for the period 2007 through September 30, 2009; 2000 U.S. Census Data.

Business Loans

The distribution of loans to businesses of different sizes is reasonable based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of loans extended to businesses with revenues of \$1 million or less was somewhat lower than the percentage of area businesses that had revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in the St. Louis, MO-IL MA #41180 AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73%	6%	21%	100%
% of Bank Loans in AA by #	65%	35%	0%	100%
% of Bank Loans in AA by \$	14%	86%	0%	100%

Source: Sample of 20 business loans; 2009 Dun and Bradstreet Data.

Geographic Distribution of Loans

The geographic distribution of RRE and business loans originated or purchased during the evaluation period reflects reasonable dispersion. The number of home improvement loans (2) and home mortgage refinance loans (15) in this AA are not significant enough to perform a meaningful analysis.

In evaluating the bank's performance, we considered there were more opportunities to lend in moderate-income geographies than in low-income geographies. We also considered the distance between the low-income geographies and the nearest PNB branch, as noted on page 4, which limits the opportunity to make loans in the low-income geographies.

Residential Real Estate Loans

The geographic distribution of RRE loans is reasonable. The percentage of home purchase loans in low-income geographies is significantly lower than the percentage of owner-occupied housing units within those geographies. However, the percentage of home purchase loans in moderate-income geographies exceeded the percentage of owner-occupied housing units within those geographies.

Geographic Distribution of Residential Real Estate Loans in the St. Louis, MO-IL MA #41180 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	15.0%	3.6%	37.0%	46.4%	36.9%	39.3%	11.1%	10.7%
Home Improvement	15.0%	0.0%	37.0%	50.0%	36.9%	50.0%	11.1%	0.0%
Home Mortgage Refinance	15.0%	6.7%	37.0%	40.0%	36.9%	26.7%	11.1%	26.6%

Source: RRE loan data reported under HMDA for the period 2007 through September 30, 2009;
2000 U.S. Census Data.

Business Loans

The geographic distribution of business loans is reasonable based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of business loans in low-income geographies exceeded the percentage of businesses within those geographies. The percentage of business loans in moderate-income geographies was near the percentage of businesses within those geographies.

Geographic Distribution of Business Loans in the St. Louis, MO-IL #41180 AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	19.6%	30.0%	37.0%	35.0%	22.5%	20.0%	19.1%	15.0%

Source: Sample of 20 business loans; 2009 Dun and Bradstreet Data. Two percent of businesses are located in non-income categorized geographies.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in the St. Louis, MO-IL MA #41180 is rated "Outstanding." Based on the full-scope review, the bank's CD performance in this AA reflects excellent responsiveness to the needs of the community. Many of these activities were complex as they involved several entities and funding sources, took significant time and resources to bring the projects to fruition, and provided significant impact to the local communities.

Number and Amount of Community Development Loans

PNB originated four CD loans totaling \$3.8 million. Three loans promoted economic development and one loan was used to provide affordable housing to low- and moderate-income individuals. Information regarding these loans is summarized below.

- PNB originated a \$230,000 loan. Loan proceeds and funds from other sources, including Low-Income Housing Tax Credits, were used to construct 25 single family homes and a four-plex designated for low- and moderate-income individuals.
- PNB originated a \$12,500 loan to the Southwestern Illinois Community Development Corporation (SWICDC) whose mission is to promote economic development by financing small businesses located in Bond, Clinton, Madison, and St. Clair Counties, Illinois. During the evaluation period, SWICDC made four loans totaling \$400,000 to small businesses located in low- and moderate-income geographies. These businesses predominately employ low- and moderate-income individuals.

- PNB originated a \$3.5 million loan that provided partial funding for the redevelopment of the Kiel Opera House located in a low-income geography. Other funding sources included Federal and State Historical Tax Credits, Federal New Market Tax Credits, State Brownfield Tax Credits, and Tax Exempt Revenue Bonds issued by the City of St. Louis. The Kiel Opera House will house a concert hall, a restaurant, and meeting rooms; it will create approximately 100 jobs when the \$70 million redevelopment project is completed in the spring of 2011.
- PNB originated a \$100,000 pre-development loan that provided initial funding for the renovation of the Beaux Arts Complex, a landmark structure in the St. Louis Mid Town Theatre District, located in a low-income geography. PNB also committed to lend an additional \$8 million to fund development costs and provide permanent financing once the renovation is completed. Other funding sources included State and Federal Historical Tax Credits, Federal New Market Tax Credits, and City of St. Louis Tax Incremental Financing Funds. The Beaux Arts Complex will house the Confluence Academy Performing Arts High School when the \$21.4 million renovation is completed in August 2010. This renovation project is an integral part of the redevelopment efforts of the Grand Center District.

Number and Amount of Qualified Investments

PNB made two qualified investments (QI) totaling \$66,000 during the evaluation period. An additional \$211,000 of prior period investments remain outstanding. Information regarding these QI is summarized below.

- During the evaluation period, PNB made equity investments totaling \$61,000 in the St. Louis Equity Fund (STLEF). STLEF provides affordable rental housing to low- and moderate-income individuals through the use of Low Income Housing Tax Credits and Historical Preservation Tax Credits. STLEF has created 24 funds that were invested in 100 housing developments (3,200 housing units) since its inception approximately 20 years ago. Rents for these units range from \$325 to \$625 per month. Prior period equity investments from December 2006 and February 2007 totaling \$211,000 remain outstanding.
- PNB made a \$5,000 equity investment in the SWICDC.

Extent to Which the Bank Provides Community Development Services

PNB provided CD services to five organizations that promote economic development and one organization that provides affordable housing to low- and moderate-income individuals. Information regarding these CD services is summarized below.

- PNB representatives provided CD services to STLEF. These CD services included assisting STLEF and developers in obtaining funding sources (including Low Income Housing Tax Credits), performing housing needs assessments, and locating housing sites.

- A PNB representative provided CD services to the SWICDC. CD services consisted of providing financial expertise in the underwriting of business loans.
- A PNB representative provided CD services to the St. Louis Development Corporation (STLDC) that promotes economic development and growth in the City of St. Louis. STLDC is a non-profit wholly owned subsidiary of the City of St. Louis that operates a revolving loan fund. It provides subordinate financing to businesses that obtain first lien financing from traditional financial institutions. STLDC receives Community Development Block Grant funds which require that one job be created for every \$10,000 in loan proceeds. STLDC provided subordinate financing to nine local businesses that obtained permanent financing from PNB, thus creating 60 jobs for low- and moderate-income individuals. CD services included participating in the underwriting of business loans and identifying possible projects for this entity.
- A PNB representative provided CD services related to the redevelopment of the Kiel Opera House. The services included providing advice on structuring loans, applicability of various tax credits, Tax Increment Financing options, and the availability and applicability of using private issue exempt revenue bonds as possible funding sources.
- A PNB representative provided CD services related to the redevelopment of an abandoned warehouse located on the north side of the City of St. Louis. Federal and State Historical Tax Credits, State Brownfield Tax Credits, and conventional bank financing were used to restore this dilapidated facility. A dry storage business presently operates from this warehouse, and it is anticipated the business will employ approximately 50 low- to moderate-income individuals once it is fully operational. CD services included working with the prior property owner to find a business to occupy this building and identifying a variety of state, federal, and private funding sources to make this a viable project.
- A PNB representative provided CD services related to the renovation of the Beaux Arts Complex. CD services included providing advice on structuring loans and on the applicability of various tax credits, and obtaining financing from the City of St. Louis through its Tax Incremental Financing Funds.

PNB provides financial services to low- and moderate-income individuals through its branching network. One of PNB's three branches in this AA is located in a moderate-income geography in St. Louis, Missouri.

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 .11% in this AA.

State Rating

State of Illinois

CRA Rating for Illinois³: 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

PNB's AA consists of seven non-MA Illinois counties (Franklin, Hamilton, Jefferson, Marion, Saline, Wayne, and Williamson) located in southern Illinois. PNB has eleven branch offices located in the cities of Benton (1), Centralia (1), Dahlgren (1), Fairfield (1), Harrisburg (1), Marion (1), McLeansboro (2), Mount Vernon (2), and Salem (1). There are no low-income geographies and 18 moderate-income geographies within the AA. The moderate-income geographies are located in the counties of Franklin (5), Jefferson (3), Marion (2), Saline (3), and Williamson (5).

PNB's deposits in this AA total \$617 million. This represents 92% of the bank's total deposits. PNB is the largest deposit-taking institution in the AA with a 15% market share as of June 30, 2009. Major competitors include Banterra Bank, Mid Country Bank, and Bank of Marion.

Major industries in the AA consist of services, followed by retail trade and construction. In the AA, non-agricultural wage and salaried employment increased from 93,409 in March 2007 to 102,394 in September 2009, an increase of 10%. During this same time period, the unemployment rate increased from 4.1% to 11%. The state of Illinois' unemployment rate was 10.2% as of September 2009. Marion and Hamilton Counties had the highest and lowest unemployment rates in the AA, 11.9% and 9.3%,

³ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

respectively. Ten percent of families live below the poverty level in the AA, based on 2000 Census Data.

The 2009 HUD adjusted statewide non-MA median family income for the AA is \$54,400. Twenty-two percent and 20% of families are low- and moderate-income, respectively, based on 2000 Census Data. The 2000 median housing value for the AA is \$53,845. The following is additional demographic data for the AA.

DEMOGRAPHIC DATA FOR THE NON MSA IL COUNTIES						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	67	0.00	26.87	71.64	1.49	0.00
Population by Geography	234,555	0.00	26.35	72.21	1.44	0.00
Owner-Occupied Housing by Geography	72,501	0.00	24.14	74.31	1.55	0.00
Business by Geography	18,469	0.00	34.76	63.56	1.68	0.00
Farms by Geography	1,182	0.00	10.58	88.75	0.67	0.00
Family Distribution by Income Level	65,090	22.37	20.34	24.53	32.76	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	27,801	0.00	31.82	67.35	0.83	0.00
Median Family Income		\$43,613	Median Housing Value	\$53,845		
HUD Adjusted Median Family Income for 2009		\$54,400	Unemployment Rate	11.0%		
Households Below Poverty Level		14%	(September 2009)			

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

Source: 2000 US Census and 2009 HUD updated MFI

We determined the community's needs by contacting representatives from a housing organization, two social services organizations, and an economic development organization. We identified the following credit and non-credit related needs in this AA:

- First-time home buyer education programs.
- Emergency housing for the homeless.
- Financial literacy counseling.
- Affordable housing for low- and moderate-income individuals.
- Financing for new start-up businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance under the lending test in the state of Illinois is rated "Satisfactory." Based on the full-scope review, the bank's lending performance in this state is reasonable.

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.

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 (10%) who live below the poverty level and the barriers this may have on home ownership.

The percentage of home purchase loans to low-income borrowers was lower than the percentage of AA families who are low-income. However, the percentage of home purchase loans to moderate-income borrowers exceeded the percentage of AA families who are moderate-income. The percentage of home improvement loans to low-income borrowers was significantly lower than the percentage of AA families who are low-income. The percentage of home improvement loans to moderate-income borrowers was somewhat lower than the percentage of AA families who are moderate-income. The percentage of home mortgage refinance loans to low-income borrowers was significantly lower than the percentage of AA families who are low-income. However, the percentage of home mortgage refinance loans to moderate-income borrowers was somewhat lower than the percentage of AA families who are moderate-income.

Borrower Distribution of Residential Real Estate Loans in the Non MA IL Counties AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	22.4%	13.1%	20.3%	24.4%	24.5%	31.1%	32.8%	31.4%
Home Improvement	22.4%	5.6%	20.3%	16.7%	24.5%	40.7%	32.8%	37.0%
Home Mortgage Refinance	22.4%	5.3%	20.3%	16.8%	24.5%	27.0%	32.8%	50.9%

Source: RRE loan data reported under HMDA for the period 2007 through September 30, 2009; 2000 U.S. Census Data.

Business Loans

The distribution of loans to businesses of different sizes is more than reasonable based on a sample of 20 loans originated or purchased during the evaluation period.

The percentage of loans extended to businesses with revenues of \$1 million or less exceeded the percentage of area businesses that had revenues of \$1 million or less.

Borrower Distribution of Loans to Businesses in the Non MA IL Counties AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75%	4%	21%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	70%	30%	0%	100%

Source: Sample of 20 business loans; 2009 Dun and Bradstreet Data.

Geographic Distribution of Loans

The geographic distribution of RRE and business loans originated or purchased during the evaluation period reflects reasonable dispersion. There are no low-income geographies in this AA.

Residential Real Estate Loans

The geographic distribution of RRE loans is reasonable. The percentages of home purchase, home improvement, and home mortgage refinance loans in moderate-income geographies were lower than the percentage of owner-occupied housing units within these geographies.

The low dispersion of RRE loans in moderate-income geographies is primarily attributed to the bank's performance in Jefferson and Marion Counties. PNB did not have a branch office in a moderate-income geography in Jefferson County until May 2008, and there is strong competition from four other financial institutions with branches in the moderate-income geographies within this county. In Marion County, PNB does not have a branch office in either of the two moderate-income geographies, there is strong competition, and some of the other financial institutions do have branch offices in the moderate-income geographies.

Geographic Distribution of Residential Real Estate Loans in the Non MA IL Counties 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	NA	NA	24.1%	15.0%	74.3%	81.1%	1.6%	3.9%
Home Improvement	NA	NA	24.1%	14.8%	74.3%	85.2%	1.6%	0.0%
Home Mortgage Refinance	NA	NA	24.1%	11.1%	74.3%	85.4%	1.6%	3.5%

Source: RRE loan data reported under HMDA for the period 2007 through September 30, 2009;
2000 U.S. Census Data.

Business Loans

The geographic distribution of business loans is reasonable based on a sample of 20 loans originated or purchased during the evaluation period. The percentage of business loans in moderate-income geographies was somewhat lower than the percentage of businesses within those geographies.

Geographic Distribution of Business Loans in the Non MA IL Counties AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	NA	NA	34.8%	30.0%	63.5%	70.0%	1.7%	0.0%

Source: Sample of 20 business loans; 2009 Dun and Bradstreet Data.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in the state of 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 and Peoples Economic Development Corporation (PEDC), a subsidiary of PNB, originated 14 CD loans totaling \$3.8 million.

PEDC originated nine loans totaling \$2.5 million. These loans promoted economic development and/or revitalized or stabilized low- and moderate-income geographies. Funding for these loans came from Federal New Market Tax Credits that PEDC applied for, received, and subsequently sold prior to the evaluation period. Sale proceeds were used to establish a revolving loan fund. These loans created 94 jobs for low- and moderate-income individuals.

PNB originated 5 CD loans totaling \$1.3 million. Four loans went to organizations that provide community services targeted to low- or moderate-income individuals. One loan went to a government agency that promotes economic development. This agency:

- Operates a revolving loan fund that provides low interest, fixed rate financing;
- Operates a micro-loan program for businesses that were denied a loan through a private financial institution;

- Operates a business and CD loan fund for new and expanding businesses;
- Offers real estate tax abatements for businesses expanding their physical facility; and
- Offers housing grants to local municipalities for low- and moderate-income individuals.

Number and Amount of Qualified Investments

PNB did not provide us with any qualified investments to review.

Extent to Which the Bank Provides Community Development Services

PNB representatives provided CD services that assisted in the development of three subdivisions in Centralia, Fairfield, and Benton, Illinois. Each subdivision consists of 32 homes that are rented to low- and moderate-income families that earn no more than 60% of the median income. CD services included preparing the Federal Home Loan Bank (FHLB) grant applications, working with various developers to secure financing, assisting in locating subdivision sites, disbursing funds, and coordinating various other activities among the multiple entities involved in these projects. Funding for the three subdivisions included FHLB grant funds of \$1,230,000, Low-Income Housing Tax Credits, HUD HOME loans, and grants from the Illinois Housing Development Authority. PNB provides financial services to low- and moderate-income individuals through their branching network. Four of PNB's eleven branches in this AA are located in moderate-income geographies within the cities of Benton, Harrisburg, Marion, and Mt. Vernon, Illinois. An additional two branches, Centralia and Salem, Illinois, are located in designated distressed or underserved non-metropolitan middle-income geographies.

Responsiveness to Community Development Needs

PNB's CD activities demonstrated excellent responsiveness to community needs as they addressed the identified needs of affordable housing and small business financing. We also considered the volume of loans originated by PNB and PEDC, the complexity of the CD services, and PNB's financial capacity.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: 1/1/07 to 09/30/09 Community Development Test: 3/6/07 to 09/30/09	
Financial Institution	Products Reviewed	
Peoples National Bank, N.A. (PNB) McLeansboro, IL	Home Mortgage and Business Loans.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
Peoples Economic Development Corporation	PNB Subsidiary	Community Development Loans
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
St. Louis, MO-IL MA #41180 (Entire St. Louis City, MO, and portions of St. Louis County, MO, St. Clair County, IL, and Clinton County, IL)	Full-Scope	
State of Illinois Franklin, Hamilton, Jefferson, Marion, Saline, Wayne, and Williamson Counties	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, N.A.	Satisfactory	Outstanding	Satisfactory
St. Louis, MO-IL MA #41180	Satisfactory	Outstanding	Satisfactory
State of Illinois	Satisfactory	Outstanding	Satisfactory