



PUBLIC DISCLOSURE

January 29, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples National Bank, N.A.
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, and should not 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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Overall CRA Rating: Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

- Peoples National Bank's (PNB or bank) quarterly average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the credit needs of the assessment areas (AAs)¹.
- A majority of the bank's originated or purchased loans are located within the AAs.
- The borrower distribution of loans to businesses and farms of different sizes and borrowers of different income levels reflects reasonable penetration of the small businesses and farms and low- and moderate-income borrowers in the AAs.
- The geographic distribution of loans to census tracts (CTs) of different income levels reflects reasonable dispersion of the AAs moderate- and low-income CTs.
- Community Development (CD) activities reflect excellent responsiveness to the community needs within the AAs. CD loans and investments totaled 57.81 percent of PNB's common equity tier one capital plus the allowance. CD lending activities consisted primarily of loans to businesses and nonprofit organizations, benefiting low- and moderate-income geographies and individuals. CD investments include multiple bonds and \$82,000 in qualified donations. Bank staff provided 1,347 qualified service hours to local community and non-profit organizations.
- Access to financial services for low- and moderate-income individuals is excellent. For a majority of the review period², PNB had one branch located in a low-income CT, 10 located in moderate-income CTs (including two branches that opened during the evaluation period), and four located in distressed and/or underserved middle-income CTs.

¹ The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to states, and multistate metropolitan areas.

² On July 7, 2017, based on the 2011-2015 five year estimated American Community Survey (ACS), the FFIEC updated demographic data used in the determination of CT income levels. As a result, four PNB branches located in moderate-income CTs are now located in middle-income CTs, one of which is underserved or distressed.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family

households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

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

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

PNB is an interstate financial institution headquartered in Mount Vernon, Illinois. PNB had total assets of \$1.15 billion and common equity tier one capital of \$107.9 million as of December 31, 2017. The bank is a wholly owned subsidiary of Market Street Bancshares Inc., a one-bank holding company located in Mount Vernon, Illinois. As of June 30, 2017, Market Street Bancshares Inc. had total assets of \$1.17 billion.

PNB maintains branch operations in southern Illinois and the St. Louis MO-IL Multistate Metropolitan Area (MMA). The bank operates 21 full service branches, 21 deposit-taking automatic teller machines (ATM), and five cash-dispensing ATMs in Illinois. Three branches, including the main branch, are located in Mount Vernon. PNB operates two branches in each of the following towns: Benton, Harrisburg, Marion, and McLeansboro. PNB operates one branch in each of the following towns: Carmi, Carterville, Centralia, Dahlgren, Equality, Eldorado, Fairfield, Herrin, Salem, and West Frankfort. Deposit-taking ATMs are located at all branches with the exception of one branch in McLeansboro. Cash-dispensing ATM locations include one located at a grocery store in Fairfield, one at a hospital in Mount Vernon, and three located at a baseball stadium in Marion. PNB operates three full service branches and three deposit-taking ATMs in the St. Louis MO-IL MMA. Locations include one branch and one deposit-taking ATM each in Clayton, MO, St. Louis, MO, and one in Centralia, IL.

PNB also maintains corporate offices in Mount Vernon and St. Louis as well as a loan production office (LPO) in Town and Country, MO (opened in 2017). New branch and ATM locations for the bank during the evaluation period include the following locations: Carterville, IL (2015), Equality, IL (2015), Herrin, IL (2015) and Eldorado, IL (2016). PNB did not close any branches during the evaluation period.

PNB's primary business strategy is consistent with the traditional community bank model. PNB offers a full range of credit products within its AAs including agriculture, commercial, consumer, and residential real estate (RRE) loans. The bank partners with the U.S. Small Business Administration (SBA) to offer the Small/Rural Lender Advantage small business loan, focusing on smaller loans than those offered through a traditional SBA loan. This flexible product helps to retain businesses in local communities and provides employment opportunities for the people of those communities.

As of December 31, 2017, net loans total \$1 billion and represent 87 percent of total assets. Loan portfolio composition as of December 31, 2017 includes the following:

Loan Type	\$ Volume of Loans (000)	% of Loan Portfolio
Commercial	627,154	62
Agriculture	288,978	28
Residential Real Estate	96,786	9
Consumer	4,749	1

Source: 12/31/17 Call Report

PNB received a "Satisfactory" rating at the last CRA evaluation dated May 12, 2014. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The scope of this evaluation includes an assessment of PNB under the Intermediate Small bank performance criteria, which consists of a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD Test evaluates the bank's record of responding to the CD needs of its AAs through CD lending and providing qualified investments, donations, and services.

The Lending Test covers PNB's performance from January 1, 2014 to December 31, 2016. The Lending Test evaluated the primary loan product(s) originated by management in each AA during the evaluation period. Refer to Appendix A for a list of primary products identified in each AA.

To evaluate lending performance, we reviewed the bank submitted Home Mortgage Disclosure Act (HMDA) data for 2014, 2015, and 2016 for RRE and selected a random sample of loans originated and purchased during the evaluation period for any other primary loan type identified in each AA. Examiners initially sampled 20 loans per primary product type in each AA and used that information in the lending analysis. Examiners expanded the agriculture loan sample and commercial loan sample in the Non-MSA AA to 60 loans each to provide a larger sample size. Loan data was compared to 2010 U.S. Census data.

The CD Test covers PNB's performance from May 13, 2014 to December 31, 2017. We reviewed all CD loans, investments, donations, and services submitted by PNB management to ensure they met the CD definition. We excluded from this evaluation some items submitted for consideration because they did not meet the definition or purpose of CD.

To provide perspective regarding the relative level of qualified CD loans and investments, we allocated a portion of the bank's common equity tier 1 capital to each AA based on its pro rata share of deposits as a means of comparative analysis.

Selection of Areas for Full-Scope Review

We completed full scope reviews of the Illinois Non-MSA AA and the St. Louis MO-IL MSA AA. Full scope reviews consider quantitative and qualitative factors, as well as performance context factors. We completed a limited scope review of the Carbondale-Marion MSA AA in Illinois. Limited scope procedures consider quantitative factors only. Refer to Appendix A for details on scope selection of each AA.

Ratings

PNB's overall rating is a blend of the State of Illinois and the St. Louis MMA ratings. The Illinois state rating carries more weight because the state accounts for the majority of PNB's branches, deposit activity, and loan volume. Twenty-one of the bank's twenty-four branches are in Illinois. Approximately 85 percent of the bank's deposits and 76 percent of loan originations are in Illinois.

The institution's CRA rating takes into account the ratings in different states/multistate metropolitan areas by considering:

- The significance of the bank's activities in each state/multistate metropolitan area compared with the bank's overall activities.
- The lending opportunities in each state/multistate metropolitan area.
- The importance of the bank in providing loans to each state/multistate metropolitan area, particularly in light of the number of other institutions and the extent of their activities in each state/multistate metropolitan area.
- Demographic and economic conditions in each state/multistate metropolitan area.

Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section for details regarding how we selected the areas for review.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio¹

PNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the AA's credit needs. PNB's average quarterly net loan-to-deposit ratio was 97 percent for the sixteen quarters starting March 31, 2014 through December 31, 2017. During this period, the ratio ranged from a quarterly low of 91 percent to a quarterly high of 106 percent.

The bank's net loan-to-deposit ratio is more than reasonable when compared with other community banks of similar size (total assets ranging from \$500 million to \$1.6 billion) operating within at least one of PNB's designated AAs. PNB ranks first among ten similarly situated banks serving the AAs. The average loan-to-deposit ratio for similar banks was 85 percent for the sixteen quarters starting March 31, 2014 through December 31, 2017. The ratio ranged from an average quarterly low of 61 percent and an average quarterly high of 95 percent.

Lending in Assessment Area¹

PNB originated or purchased a majority of its loans to borrowers located inside its designated AAs during the evaluation period. We reviewed HMDA data, 20 business, and 20 farm loans originated or purchased between January 1, 2014 and December 31, 2016. PNB originated 85 percent by number and 76 percent by dollar volume to borrowers within the bank's designated AAs.

Table 1 details PNB's lending activity within its AAs by number and dollar volume.

Table 1 - Lending in Illinois Non-MSA AA, Carbondale-Marion MSA AA, St. Louis MO-IL MSA AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	1,650	85%	291	15%	1,941	212,675	74%	75,561	26%	288,236
Business Loans	17	85%	3	15%	20	20,355	89%	2,409	11%	22,764
Farm Loans	16	80%	4	20%	20	3,420	53%	3,038	47%	6,458
Total	1,683	85%	298	15%	1,981	236,450	76%	81,008	24%	317,458

Source: RRE loan data reported under HMDA for 2014, 2015, and 2016; Sample of 20 business loans; Sample of 20 farm loans.

¹The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to states, and multistate metropolitan areas.

State Rating

State of Illinois

CRA rating for Illinois: Satisfactory.

The lending test is rated: Satisfactory.

The community development test is rated: Outstanding.

PNB's performance in the State of Illinois meets the standards for satisfactory performance:

- The distribution of loans to businesses and farms of different sizes and borrowers of different income levels reflects reasonable penetration of the AA's small businesses and farms and low- and moderate-income borrowers.
- The geographic distribution of loans to CTs of different income levels reflects reasonable dispersion of the AAs moderate- and low-income CTs.
- PNB's CD activities reflect excellent responsiveness to the community needs of its AAs.

Description of Institution's Operations in Illinois

PNB has two AAs in Illinois, the Illinois Non-MSA and Carbondale-Marion MSA AAs. The AAs are legal and reasonable and do not arbitrarily exclude any low- or moderate-income CTs.

Illinois Non-MSA AA

The Illinois Non-MSA AA includes all of Franklin, Gallatin, Hamilton, Jefferson, Marion, Saline, Wayne, and White counties. These areas are primarily rural and are not included in an MSA. PNB operates 17 branches, 17 deposit-taking ATMs, and two cash-dispensing ATMs in the Illinois Non-MSA AA. This AA represents PNB's major market and includes the bank's main location, which is home to a majority of the senior management team. As of June 30, 2017, PNB reported \$824 million in deposits in the Non-MSA AA. This represents 85 percent of total bank deposits as of that date. According to FDIC market share information as of June 30, 2017, PNB ranked first in deposit market share in the AA with a market share of 21 percent. Management originated 2,117 loans totaling \$339.4 million across the primary products in the AA during the evaluation period. This represents 69 percent of total loan originations by number and 41 percent of total loan originations by dollar during the evaluation period.

The Illinois Non-MSA AA included 59 CTs in 2016. One CT was low-income, 18 CTs were moderate-income, 39 CTs were middle-income, and one CT was upper-income. Approximately 188,209 people or 52,178 families lived in the AA in 2016. Of the families, 24 percent were low-income, 21 percent were moderate-income, 22 percent were middle-income, and 33 percent were upper-income. Seventeen percent of the households in the AA lived below the poverty level. The weighted-average median family income was \$58,000 in 2016.

Sixty-seven percent of the housing units in the Illinois Non-MSA AA were owner-occupied and 21 percent were renter-occupied in 2016. The weighted-average of median housing cost was \$70,712 and the weighted-average of monthly gross rent was \$521.

There were 9,970 businesses in the AA as of June 30, 2016. Ninety-two percent of the businesses were non-farm operations and 66 percent of total businesses employed fewer than five people.

Competition in the Non-MSA AA is significant. As of June 30, 2017, there were 30 other deposit-taking institutions operating 81 banking offices in the Illinois Non-MSA AA. Competition in the AA includes regional and locally owned institutions as well as branches of large national banks.

Refer to the market profiles in Appendix C for detailed demographics and other performance context information for the AAs that received a full scope review.

Scope of Evaluation in Illinois

We completed a full-scope review of the Illinois Non-MSA AA and a limited-scope review of the Carbondale-Marion MSA AA. The Non-MSA AA weighted heavily in arriving at our conclusion regarding performance in Illinois. PNB's largest share of deposits, 85 percent, is in this AA. The bank's main office and sixteen additional branches are located in the Non-MSA AA. In contrast, the Carbondale-Marion MSA AA has four branches and 6 percent of the bank's deposits, the lowest of the bank's three AAs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

LENDING TEST

The bank's performance under the Lending Test in Illinois is satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance in the Illinois Non-MSA AA is satisfactory.

Performance in the Illinois Non-MSA AA

During this evaluation period, PNB originated 1,255 residential loans totaling \$127.7 million, 425 business loans totaling \$124.5 million and 458 farm loans totaling \$88.6 million in this AA. We sampled 60 business loan originations totaling \$12.5 million and 60 farm loan originations totaling \$10.6 million.

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

The overall distribution of loans to businesses and farms of different sizes and among borrowers of different income levels all reflect reasonable penetration, when considering bank product offerings and local economic conditions. In our analysis of mortgage lending, we gave more weight to the bank's performance related to moderate-income borrowers due to the challenges many low-income borrowers have in qualifying for mortgage loans.

Residential Real Estate Loans

The borrower distribution of RRE loans originated or purchased during the evaluation period is reasonable. We placed more weight on the bank's performance in home purchase loans, which makes up a majority of the bank's total home mortgage loans at 74 percent. We considered the level of competition in the AA as a significant factor, with PNB competing against numerous other institutions for market share. We also considered the percentage of families who live below the poverty level (12%) and the barriers this may have on home ownership. These factors weighed heavily into our conclusions in the following RRE lending categories.

PNB's percentage of home purchase loans to moderate-income borrowers (29.65%) exceeds the percentage of moderate-income families (20.80%) in the AA, and the bank's market share of home purchase loans to moderate-income borrowers (23.10%) exceeds the bank's overall market share (20.94%). The bank's percentage of home purchase loans to low-income borrowers (13.08%) is significantly lower than the percentage of low-income families (24.12%) in the AA. However, the bank's market share of home purchase loans to low-income borrowers (25%) exceeds the bank's overall market share (20.94%). PNB ranked second among the 52 lenders originating home purchase loans to low-income borrowers in the AA according to 2016 peer mortgage data.

PNB's percentage of home improvement loans to moderate-income borrowers (20.29%) is slightly below the percentage of moderate-income families (20.80%) in the AA. PNB ranked seventh among the 34 lenders originating home improvement loans to moderate-income borrowers in the AA. The bank's percentage of home improvement loans to low-income borrowers (11.59%) is significantly below the percentage of low-income families (24.12%) in the AA; however, its market share of home improvement loans to low-income borrowers (13.79%) exceeds the bank's overall market share (10.65%). PNB ranked third among the 31 lenders making home improvement loans to low-income borrowers in the AA, according to 2016 peer mortgage data.

PNB's percentage of home mortgage refinance loans to moderate-income borrowers (15.23%) is lower than, but near to the percentage of moderate-income families (20.80%). Additionally, the bank's percentage of home mortgage refinance loans to low-income borrowers (8.98%) is significantly lower than the percentage of low-income families (24.12%) in the AA. The bank's market share of home mortgage refinance loans to low- and moderate-income borrowers (both at 7%) is also lower than, but near to the bank's overall market share (10.38%). According to 2016 peer mortgage data, PNB ranked fourth among the 54 lenders making home mortgage refinance loans to low-income borrowers, and fourth among the 73 lenders making home mortgage refinance loans to moderate-income borrowers in the AA.

Tables 2 and 2A include the data used to evaluate the borrower distribution of RRE loans in the 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	24.12%	13.08%	20.80%	29.65%	22.06%	27.17%	33.02%	30.10%
Home Improvement	24.12%	11.59%	20.80%	20.29%	22.06%	27.54%	33.02%	40.58%
Home Mortgage Refinance	24.12%	8.98%	20.80%	15.23%	22.06%	28.13%	33.02%	47.66%

Source: RRE loan data reported under HMDA for 2014, 2015, and 2016; 2010 U.S. Census data.

Borrower Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	20.94%	25.00%	23.10%	19.67%	19.03%
Home Improvement	10.65%	13.79%	6.45%	13.33%	10.40%
Home Mortgage Refinance	10.38%	6.90%	7.04%	11.98%	11.19%

Source: Based on 2016 Peer Mortgage Data (USPR).

Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration of the AA's small businesses. Eighty-two percent of PNB's commercial loans by number and 76 percent by dollar were to businesses with gross annual revenues less than \$1 million. This exceeds the percentage of small businesses in the AA.

Table 3 includes the data used to evaluate the borrower distribution of PNB's business loans in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75%	6%	19%	100%
% of Bank Loans in AA by #	82%	18%	0%	100%
% of Bank Loans in AA by \$	76%	24%	0%	100%

Source: Sample of 60 business loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Farm Loans

The distribution of loans to farms of different sizes reflects reasonable penetration of the AA's small farms. Ninety-two percent of PNB's loans by number and 93 percent by dollar were to farms with gross annual revenue less than \$1 million. This is lower than, but near to the percentage of small farms in the AA.

Table 4 includes the data used to evaluate the borrower distribution of PNB's farm loans in the AA.

Table 4 - Borrower Distribution of Loans to Farms in the Illinois Non-MSA AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	92%	8%	0%	100%
% of Bank Loans in AA by \$	93%	7%	0%	100%

Source: Sample of 60 farm loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Geographic Distribution of Loans

PNB's overall geographic distribution of loans reflects reasonable dispersion throughout the full-scope Illinois AAs. The bank lends in all CTs within the AA.

Residential Real Estate Loans

The geographic distribution of RRE loans originated or purchased during the evaluation period is reasonable. We considered the level of competition in the AA as a significant factor, with PNB competing against numerous other institutions for market share. Additionally, we took into consideration that less than 1 percent of the owner-occupied units in the AA are located in the low-income CTs.

The percentage of home purchase loans in low-income geographies (0.33%) slightly exceeds the percentage of owner-occupied housing units within those geographies (0.31%). The percentage of home purchase loans in moderate-income geographies (20.72%) is somewhat lower than the percentage of owner-occupied housing units within those geographies (26.96%). The bank's market share of home purchase loans in moderate-income geographies (13.48%) is slightly lower than the bank's overall market share (18.75%).

The percentage of home improvement loans in moderate-income geographies (21.43%) is lower than the percentage of owner-occupied housing units within those geographies (26.96%). The bank's market share of home improvement loans in moderate-income geographies (7.69%) is slightly lower than the bank's overall market share (10.53%). 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 moderate-income geographies (15.50%) is lower than the percentage of owner-occupied housing units within those

geographies (26.96%). The bank's market share of home mortgage refinance loans in the moderate-income geographies (8.80%) is slightly below the bank's overall market share (9.03%). PNB did not originate or purchase any home mortgage refinance loans in the low-income geography during the evaluation period.

Tables 5 and 5A include the data used to evaluate the geographic distribution of PNB's RRE loans in the 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	0.31%	0.33%	26.96%	20.72%	70.78%	73.25%	1.95%	5.70%
Home Improvement	0.31%	0.00%	26.96%	21.43%	70.78%	72.86%	1.95%	5.71%
Home Mortgage Refinance	0.31%	0.00%	26.96%	15.50%	70.78%	79.70%	1.95%	4.80%

Source: RRE loan data under HMDA in 2014, 2015, and 2016; U.S. Census Data.

Census Tract Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	18.75%	100.00%	13.48%	20.16%	21.79%
Home Improvement	10.53%	0.00%	7.69%	10.86%	40.00%
Home Mortgage Refinance	9.03%	0.00%	8.80%	8.76%	19.23%

Source: Based on 2016 Peer Mortgage Data (USPR).

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 2014, 2015, and 2016. The percentage of business loans in low-income geographies (5%) exceeds the percentage of businesses within those geographies (3.35%). The percentage of business loans in moderate-income geographies (30%) is lower than, but near to the percentage of businesses within those geographies (32.89%).

Table 6 includes the data used to evaluate the geographic distribution of PNB's business loans in the 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	3.35%	5.00%	32.89%	30.00%	61.13%	65.00%	2.63%	0.00%

Source: Sample of 60 business loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Farm Loans

The geographic distribution of farm loans originated or purchased during the evaluation period is reasonable based on a sample of loans originated in 2014, 2015, and 2016. The percentage of farm loans in low-income geographies (1.67%) exceeds the percentage of farms within those geographies (0.12%). The percentage of farm loans in moderate-income geographies (10%) is lower than, but near to the percentage of farms within those geographies (11.72%).

Table 7 below includes the data used to evaluate the geographic distribution of PNB's farm loans in the AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm	0.12%	1.67%	11.72%	10.00%	87.69%	88.33%	0.47%	0.00%

Source: Sample of 60 farm loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Conclusions for Limited-Scope Assessment Areas

Based on the limited-scope review, PNB's performance under the Lending Test in the Carbondale-Marion MSA AA is consistent with PNB's overall "Satisfactory" performance under the Illinois Non-MSA AA. The performance in this limited-scope AA did not have any impact on the overall Lending Test rating for the Illinois Non-MSA AA.

During the evaluation period, the volume of loans originated or purchased in the Carbondale-Marion MSA AA was \$89 million. The volume is more than reasonable when compared to PNB's deposits of \$63 million in the same AA.

Our analysis in the limited-scope AA focused primarily on RRE loans. Tables 8, 8A, 9, and 9A include data that support these conclusions.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	18.87%	7.04%	20.09%	24.44%	18.98%	27.41%	42.06%	41.11%
Home Improvement	18.87%	10.00%	20.09%	0.00%	18.98%	40.00%	42.06%	50.00%
Home Mortgage Refinance	18.87%	0.00%	20.09%	9.09%	18.98%	25.00%	42.06%	65.91%

Source: RRE loan data reported under HMDA for 2014, 2015, and 2016; 2010 U.S. Census data.

Table 8A - Borrower Distribution – Market share Information in the Carbondale-Marion MSA AA					
Borrower Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	13.21%	14.81%	17.33%	13.27%	11.46%
Home Improvement	5.69%	20.00%	0.00%	14.81%	2.63%
Home Mortgage Refinance	5.63%	0.00%	4.84%	4.63%	6.53%

Source: Based on 2016 Peer Mortgage Data (USPR).

Table 9 - Geographic Distribution of Residential Real Estate Loans in the Carbondale-Marion 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	0.00%	0.00%	15.42%	12.45%	53.80%	53.85%	30.77%	33.70%
Home Improvement	0.00%	0.00%	15.42%	0.00%	53.80%	75.00%	30.77%	25.00%
Home Mortgage Refinance	0.00%	0.00%	15.42%	8.00%	53.80%	46.00%	46.00%	6.30%

Source: RRE loan data under HMDA in 2014, 2015, and 2016; U.S. Census Data.

Table 9A - Geographic Distribution – Market share Information in the Carbondale-Marion MSA AA					
Census Tract Income Level	Overall	Low	Moderate	Middle	Upper
Loan Type					
Home Purchase	11.24%	0.00%	8.47%	12.01%	10.97%
Home Improvement	5.84%	0.00%	5.56%	3.61%	11.11%
Home Mortgage Refinance	4.51%	0.00%	0.00%	4.84%	5.26%

Source: Based on 2016 Peer Mortgage Data (USPR).

Responses to Complaints

PNB did not receive any CRA-related complaints in the state of Illinois during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD Test in Illinois is outstanding. We placed more weight on CD activities in the full-scope AA where the majority of loans, deposits, and branches are located.

CD performance in the limited-scope AA was weaker than performance in the full-scope AA. The limited scope AA contributed minimal weight to the overall conclusion for Illinois, given the bank's presence that is more limited in this market.

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance in the Illinois Non-MSA AA is outstanding.

Conclusion for the Illinois Non-MSA Assessment Area

CD activities demonstrated excellent responsiveness to CD needs and opportunities in the Illinois Non-MSA AA. CD loans, investments, and donations totaled \$82.8 million during the evaluation period. This represents 90 percent of the allocated common equity tier one capital as of December 31, 2017. Bank staff provided 1,286 qualified service hours to various community organizations, non-profit organizations, and local school districts during the evaluation period. One branch is located in a low-income CT, nine branches are located in moderate-income CTs and four branches are located in distressed and/or underserved middle-income CTs.

Conclusion for the Limited-Scope Assessment Area

CD activities performance in the Carbondale-Marion MSA AA is weaker than the performance in the Illinois Non-MSA AA. CD loans, investments, and donations totaled \$2 million during the evaluation period. This represents 29 percent of the allocated common equity tier one capital as of December 31, 2017.

Number and Amount of Community Development Loans

Performance in the Illinois Non-MSA Assessment Area

CD loans demonstrated excellent responsiveness to CD needs and opportunities in the Illinois Non-MSA AA during the evaluation period. Management originated 48 CD loans totaling \$82 million during the evaluation period. This represents 83 percent of the AA's allocated common equity tier one capital (\$98.9 million) as of June 30, 2017. Twenty-three loans supported organizations that provide community services to the AA, five loans promoted economic development, and 20 loans financed revitalization or stabilization projects in low- and/or moderate-income (LMI) geographies and/or distressed middle-income CTs in the AA.

Conclusion for the Limited-Scope Assessment Area

CD lending performance in the Carbondale-Marion MSA AA is weaker than the performance in the Illinois Non-MSA AA. PNB originated one CD loan totaling \$2 million that provided gap funding for financing the construction of a new airport terminal. The airport is located in a moderate-income CT.

Number and Amount of Qualified Investments

Performance in the Illinois Non-MSA Assessment Area

CD investments demonstrated adequate responsiveness to CD needs and opportunities in the Illinois Non-MSA AA during the evaluation period. In aggregate, CD investments and donations totaled \$1.2 million during the evaluation period. This represents just over one percent of the AA's allocated tier one capital as of June 30, 2017.

Management purchased one investment totaling \$451,221 in the Illinois Non-MSA AA during the evaluation period. PNB also received credit for four investments with an outstanding balance of \$661,679 that were purchased in prior evaluation periods and still outstanding on December 31, 2017. Two investments supported economic development and three investments were municipal bonds that provided funding for essential services to LMI geographies and/or distressed middle-income CTs in the AA.

Management made 84 qualified donations totaling \$82,381 to 45 organizations in the Non-MSA AA during the evaluation period. The majority of donations supported community service organizations.

Conclusion for the Limited-Scope Assessment Area

CD investment performance in the Carbondale-Marion MSA AA is weaker than the performance in the Illinois Non-MSA AA. PNB did not have any qualifying CD investments in this AA.

Extent to Which the Bank Provides Community Development Services

Performance in the Illinois Non-MSA Assessment Area

PNB provided an excellent level of CD services to the Illinois Non-MSA AA during the evaluation period. Bank staff provided 1,282 qualified service hours to various community and non-profit organizations, and to several local school districts.

The availability of services to low- and moderate-income individuals is excellent. One branch is located in a low-income CT, six branches are located in moderate-income CTs and four branches are located in distressed and/or underserved middle-income CTs. The availability of services in those branches is consistent with the availability in branches located in other middle- or upper-income CTs.

PNB complements its traditional service delivery methods with certain alternative delivery processes including online banking, mobile banking, telephone banking, text banking, mobile deposits, bank-to-bank transfers, and ATMs. These delivery methods provide increased access to banking services throughout all AAs. We did not place significant weight on these alternative delivery systems because management does not maintain metrics to determine their effectiveness in helping to meet the service and credit needs of LMI individuals.

Conclusion for the Limited-Scope Assessment Area

CD service performance in the Carbondale-Marion MSA AA is weaker than the performance in the Illinois Non-MSA AA. Bank staff did not provide any qualified services in this AA.

The availability of services to low- and moderate-income individuals is reasonable. Three branches are located in moderate-income CTs. The availability of services in those branches is consistent with the availability in branches located in other middle- or upper-income CTs.

PNB complements its traditional service delivery methods with certain alternative delivery processes including online banking, mobile banking, telephone banking, text banking, mobile deposits, bank-to-bank transfers, and ATMs. These delivery methods provide increased access to banking services throughout all AAs. We did not place significant weight on these alternative delivery systems because management does not maintain metrics to determine their effectiveness in helping to meet the service and credit needs of LMI individuals.

Responsiveness to Community Development Needs

Performance in the Illinois Non-MSA Assessment Area

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

PNB is 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 local communities.

Conclusion for the Limited-Scope Assessment Area

PNB's overall community development performance in the Carbondale-Marion MSA AA is weaker than the performance in the Illinois Non-MSA AA.

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.

PNB's performance in the St. Louis MO-IL MSA #41180 AA meets the standards for satisfactory performance:

- The distribution of loans to businesses of different sizes and borrowers of different income levels reflects reasonable penetration of the AA's small businesses and low- and moderate-income borrowers.
- The geographic distribution of loans to CTs of different income levels reflects reasonable dispersion of the AAs moderate- and low-income CTs.
- PNB's CD activities reflect excellent responsiveness to the community needs of the AA.

Description of Institution's Operations in the St. Louis MO-IL MSA #41180 AA

The St. Louis MO-IL MSA AA includes the whole City of St. Louis, 84 CTs in St. Louis County in Missouri, and one CT in Clinton County in Illinois. This AA encompasses a portion of the multi-state St. Louis MO-IL MSA #41180. PNB operates three branches and three deposit-taking ATMs in the AA. As of June 30, 2017, PNB reported \$80 million in deposits in the AA. This represents 8.3 percent of total bank deposits as of that date. According to FDIC market share information as of June 30, 2017, PNB ranked 41st in deposit market share in the AA with a market share of 0.10 percent. Management originated 556 loans totaling \$394 million across the primary products in the AA during the evaluation period. This represents 18 percent of total loan originations by number and 48 percent of total loan originations by dollar during the evaluation period.

The St. Louis MO-IL Non-MSA AA included 198 CTs in 2016. Forty-seven CTs were low-income, 46 CTs were moderate-income, 53 CTs were middle-income, 51 CTs were upper-income, and one CT had unknown income. Approximately 752,134 people or 181,213 families lived in the AA in 2016. Of the families, 25 percent were low-income, 17 percent were moderate-income, 18 percent were middle-income, and 40 percent were upper-income. Fifteen percent of the households in the AA lived below the poverty level. The weighted-average median family income was \$70,000 in 2016.

Fifty-three percent of the housing units in the St. Louis MO-IL MSA AA were owner-occupied and 34 percent were renter-occupied in 2016. The weighted-average of median housing cost was \$194,728 and the weighted-average of monthly gross rent was \$724.

There were 58,009 businesses in the AA as of June 30, 2016. Ninety-eight percent of the businesses were non-farm operations and 65 percent of total businesses employed fewer than five people.

Competition in the St. Louis MO-IL MSA AA is significant. As of June 30, 2017, there were 68 deposit-taking institutions operating 424 banking offices in the AA. Competition in the AA includes regional and locally owned institutions as well as branches of large national banks.

Refer to the market profiles in Appendix C for detailed demographics and other performance context information for the AAs that received a full scope review.

Scope of Evaluation in the St. Louis MO-IL MSA #41180

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

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

LENDING TEST

The bank's performance under the Lending Test in the St. Louis MO-IL MSA AA is satisfactory.

Performance in the St. Louis MO-IL MSA AA

During this evaluation period, PNB originated 57 residential loans totaling \$25.2 million and 286 business loans totaling \$280 million in this AA. We sampled 60 business loan originations totaling \$67 million.

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

Lending to borrowers with different income levels and to businesses of different sizes reflects reasonable penetration. The number of home improvement loans (8) in this AA is 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 (15%) 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 RRE lending categories.

The percentage of home purchase loans to moderate-income borrowers (18.75%) exceeds the percentage of moderate-income families in the AA (15.89%). The percentage of home mortgage refinance loans to moderate-income borrowers (10%) is lower than the percentage of moderate-income families in the AA (15.89%). The percentage of home purchase loans

(18.75%) to low-income borrowers is lower than the percentage of AA families who are low-income (24.83%). The percentage of home mortgage refinance loans (10%) to low-income borrowers is significantly lower than the percentage of AA families who are low-income (24.83%). This low penetration is mitigated by the significant competition in the MSA. Approximately 83 percent of the home purchase loans and 83 percent 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.

Table 10 includes the data used to evaluate the borrower distribution of RRE loans in the AA.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	24.83%	18.75%	15.89%	18.75%	17.17%	18.75%	42.12%	43.75%
Home Improvement	24.83%	20.00%	15.89%	0.00%	17.17%	0.00%	42.12%	80.00%
Home Mortgage Refinance	24.83%	10.00%	15.89%	10.00%	17.17%	20.00%	42.12%	60.00%

Source: RRE loan data reported under HMDA for 2014, 2015, and 2016; 2010 U.S. Census data.

Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration of the AA's small businesses. Seventy percent of PNB's commercial loans by number and 49 percent by dollar were to businesses with gross annual revenues less than \$1 million. The number of loans is near to, but lower than the percentage of small businesses in the AA. There were two larger size loans in the loans to businesses with revenue greater than \$1 million, which accounts for the lower percentage of dollars to small businesses.

Table 11 includes the data used to evaluate the borrower distribution of PNB's business loans in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	78%	10%	12%	100%
% of Bank Loans in AA by #	70%	30%	0%	100%
% of Bank Loans in AA by \$	49%	51%	0%	100%

Source: Sample of 20 business loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Geographic Distribution of Loans

PNB's 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 (8) in this AA is not significant enough to perform a meaningful analysis.

Residential Real Estate Loans

The geographic distribution of RRE loans originated or purchased during the evaluation period reflects excellent dispersion.

The percentage of home purchase loans in low-income geographies (17.86%) and the percentage of home mortgage refinance loans in low-income geographies (13.33%), exceed the percentage of owner-occupied housing units within those geographies (8.66%). The percentage of home purchase loans in moderate-income geographies (25%) and the percentage of home mortgage refinance loans in moderate-income geographies (26.67%), significantly exceeds the percentage of owner-occupied housing units within those geographies (16.62%).

Table 12 includes the data used to evaluate the geographic distribution of PNB's RRE loans in the 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	8.66%	17.86%	16.62%	25.00%	31.72%	39.29%	42.99%	17.86%
Home Improvement	8.66%	0.00%	16.62%	62.50%	31.72%	25.00%	42.99%	12.50%
Home Mortgage Refinance	8.66%	13.33%	16.62%	26.67%	31.72%	13.33%	42.99%	46.67%

Source: RRE loan data under HMDA in 2014, 2015, and 2016; U.S. Census Data.

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 2014, 2015, and 2016. The percentage of business loans in moderate-income geographies (30%) exceeds the percentage of businesses within those geographies (18.51%). The percentage of business loans in low-income geographies (5%) is lower than the percentage of businesses within those geographies (10.37%).

Table 13 includes the data used to evaluate the geographic distribution of PNB's business loans in the 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	10.37%	5.00%	18.51%	30.00%	25.15%	35.00%	45.68%	30.00%

Source: Sample of 20 business loans; Dun and Bradstreet data as of June 2016; 2010 U.S. Census data.

Responses to Complaints

PNB did not receive any CRA-related complaints in the St. Louis MO-IL MSA AA during the evaluation period.

COMMUNITY DEVELOPMENT TEST

PNB's performance under the CD Test in the St. Louis MO-IL MSA AA is rated Outstanding.

CD activities demonstrated excellent responsiveness to CD needs and opportunities in the AA. CD loans and investments totaled \$10.1 million during the evaluation period. This represents 9.3 percent of common equity tier one capital as of December 31, 2017. Bank staff provided 61 qualified service hours to various community and non-profit organizations during the evaluation period. One bank branch is located in a moderate-income CT.

Number and Amount of Community Development Loans

CD loans demonstrated excellent responsiveness to CD needs and opportunities in the St. Louis MO-IL MSA AA during the evaluation period. Management originated 24 CD loans totaling \$9.3 million during the evaluation period. This represents 104 percent of the AA's allocated common equity tier one capital (\$8.9 million) as of June 30, 2017. Fourteen loans provided financing for affordable housing in the AA, three loans supported organizations that provide community services to the AA, two loans promoted economic development, and five loans financed revitalization or stabilization projects in LMI geographies in the AA.

Number and Amount of Qualified Investments

CD investments demonstrated adequate responsiveness to CD needs and opportunities in the St. Louis MO-IL MSA AA during the evaluation period. CD investments totaled \$732,312. This represents 8.2 percent of the AA's allocated tier one capital as of June 30, 2017.

Management did not purchase any new investments in the St. Louis MO-IL MSA AA during the evaluation period. PNB received credit for three investments with an outstanding balance of \$732,312 that were purchased in prior evaluation periods and still outstanding on December 31, 2017. One investment supported affordable housing, one investment promoted economic development, and one investment supported a revitalization and stabilization project in the AA.

Extent to Which the Bank Provides Community Development Services

CD services demonstrated adequate responsiveness to CD needs and opportunities in the St. Louis MO-IL MSA AA during the evaluation period, given the bank's limited presence, market share, and high level of competitors in this AA. Bank staff provided 61 qualified service hours to various community and non-profit organizations.

The availability of services to low- and moderate-income individuals is adequate. One bank branch is located in a moderate-income CT. The availability of services in this branch is consistent with the availability in branches located in other middle- or upper-income CTs.

PNB complements its traditional service delivery methods with certain alternative delivery processes including online banking, mobile banking, telephone banking, text banking, mobile deposits, bank-to-bank transfers, and ATMs. These delivery methods provide increased access to banking services throughout all AAs. We did not place significant weight on these alternative delivery systems because management does not maintain metrics to determine their effectiveness in helping to meet the service and credit needs of LMI individuals.

Responsiveness to Community Development Needs

PNB's overall community development performance in the St. Louis MO-IL MSA AA reflects 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 0.10 percent in this AA.

PNB is 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 local communities.

Appendix A: Scope of Examination

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 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 (excludes CD loans): 01/01/14 to 12/31/16 Investment and Service Tests and CD Loans: 05/13/14 to 12/31/17	
Financial Institution	Products Reviewed	
Peoples National Bank, N.A. (PNB) McLeansboro, IL	Agriculture loans, Commercial loans, RRE loans, CD loans, investments, and services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Illinois Illinois Non-MSA Carbondale-Marion MSA #16060	Full-Scope Limited-Scope	
St. Louis MO-IL 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
Multistate Metropolitan Area or State:			
State of Illinois	Satisfactory	Outstanding	Satisfactory
St. Louis MO-IL MSA #41180	Satisfactory	Outstanding	Satisfactory

Appendix C: Community Profiles for Full-Scope Areas

State of Illinois

Non-MSA AA

Demographic Information for Full Scope Area: Peoples Non MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	59	1.69	30.51	66.10	1.69	0.00
Population by Geography	188,209	0.77	28.98	68.64	1.61	0.00
Owner-Occupied Housing by Geography	59,405	0.31	26.96	70.78	1.95	0.00
Business by Geography	9,125	3.35	32.89	61.13	2.63	0.00
Farms by Geography	845	0.12	11.72	87.69	0.47	0.00
Family Distribution by Income Level	52,178	24.12	20.80	22.06	33.02	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	23,437	0.94	35.96	62.20	0.90	0.00
Median Family Income		54,499	Median Housing Value		70,712	
FFIEC Adjusted Median Family Income for 2017		58,000	Unemployment Rate (2015 ACS US Census)		4.43%	
Households Below Poverty Level		17%				

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

Source: 2015 ACS US Census and 2017 FFIEC updated MFI

Peoples National Bank's (PNB) Illinois Non-MSA AA consists of the following eight counties: Franklin, Gallatin, Hamilton, Jefferson, Marion, Saline, Wayne, and White counties. The AA meets the requirement of the regulation and does not arbitrarily exclude LMI geographies. According to 2015 American Community Survey (ACS) Census data, this area has 59 census tracts, consisting of 1-low-income, 18-moderate-income, 39-middle-income, and 1-upper-income.

According to the 2015 ACS Census, the total population of the AA was 188,209. The distribution of families by income level was 24.12 percent low-income, 20.80 percent moderate-income, 22.06 percent middle-income, and 33.02 percent upper-income. The number of families in the AA living below the poverty level is 6,401 or 12.17 percent. The 2017 adjusted median family income for the AA was \$58,000.

PNB has 17 branches and 17 deposit-taking ATMs in the AA. Strong competition exists for financial services within the AA. As of June 30, 2017, PNB's deposits in the AA totaled \$827 million. PNB's market share is 21.43 percent and ranks number one out of 31 depository institutions in this AA. Rounding out the top five banks with market share are: Banterra Bank with a market share of 13.76 percent, the Fairfield National Bank with a market share of 8.34 percent, Legence Bank with a market share of 5.51 percent, and First Mid-Illinois Bank & Trust with a market share of 4.71 percent.

Employment and Economic Factors

According to the U.S. Bureau of Labor Statistics, the unemployment rate for Illinois as of December 2017 was 4.7 percent compared to the National rate of 4.1 percent for the same period. For the other counties of Illinois, the rate is as follows:

<u>County Name</u>	<u>Unemployment Rate 12/2017</u>
Franklin County	6.1%
Gallatin County	5.5%
Hamilton County	4.1%
Jefferson County	5.2%
Marion County	4.8%
Saline County	6.4%
Wayne County	5.5%
White County	4.3%

National Unemployment Rate as of 12/2017 is 4.1%

Employment by industry is: Professional and Business Services 41.3 percent; Retail Trade 14.5 percent; Agriculture, Forestry & Fishing 8.1 percent; Financial Activities 6.3 percent; Construction 6.3 percent; Transportation & Communication 4.7 percent; Local and State Government 4.6 percent; Wholesale Trade 3.6 percent; Manufacturing 3.4 percent; and Mining 1.1 percent.

Housing

Total housing for the Non-MSA is 88,134 with owner occupied units of 59,405 or 67.40 percent; occupied rental units of 18,474 or 20.96 percent and vacant units of 10,255 or 11.64 percent. Total housing in the LMI areas of the AA was 27,424 with owner occupied units of 16,202 or 59 percent; occupied rental units of 7,605 or 28 percent; and vacant units of 3,617 or 13 percent. The median age of housing stock is 62 for low-income and 60 for moderate-income areas.

Affordability

We conducted an affordability analysis in this AA to determine if the overall affordability of housing for LMI borrowers was an impediment to PNB's home mortgage lending to LMI borrowers within this AA. Thus, we considered the overall affordability when conducting our analysis and assigning ratings for borrower distribution in this AA.

The cost of housing and its accessibility to LMI families is reflected in the level of homeowners with housing costs that exceed 30 percent of their income. To illustrate the issue of housing affordability, a low-income borrower making \$29,000 (50 percent of the 2017, FFIEC adjusted median family income) could afford a monthly housing payment of \$725. A moderate-income borrower making \$46,400 (80 percent of the 2017, FFIEC adjusted family median income) could afford a monthly housing payment of \$1,160. Assuming a 30-year mortgage at the 12/1/2017 median list price of \$87,463 with a 5.0 percent interest rate and no down payment, and not accounting for homeowners insurance, real estate taxes, or any additional monthly expenses, this scenario would result in a monthly mortgage payment of \$470. This illustrates that affordable housing is within reach for all LMI families.

We completed three community contacts in the Illinois Non-MSA AA in conjunction with this examination. We spoke with representatives from three economic development organizations. We identified the following credit needs in the AA:

- Affordable single family housing for low- and moderate-income individuals; and
- Rural community investment in public works projects, including funds needed for water, sewer, school, and local library improvements.

St. Louis MO-IL MSA #41180**St. Louis MSA AA**

Demographic Information for Full Scope Area: Peoples St. Louis MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	198	23.23	20.71	25.25	29.80	1.01
Population by Geography	752,780	16.22	18.83	28.31	35.70	0.94
Owner-Occupied Housing by Geography	187,849	8.63	16.56	31.60	42.83	0.38
Business by Geography	56,943	9.39	16.08	24.84	48.63	1.07
Farms by Geography	1,066	3.56	15.67	34.24	46.06	0.47
Family Distribution by Income Level	175,201	24.83	15.89	17.17	42.12	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	71,338	27.65	27.29	25.53	18.30	1.23
Median Family Income FFIEC Adjusted Median Family Income for 2017 Households Below Poverty Level		70,718 74,300 16%	Median Housing Value Unemployment Rate (2015 ACS US Census)		186,769 4.51%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS US Census and 2017 FFIEC updated MFI

Peoples National Bank's (PNB) St. Louis MSA AA consists of the following three counties: Clinton County in Illinois, portions of St. Louis County in Missouri and all of St. Louis City in Missouri. The AA meets the requirement of the regulation and does not arbitrarily exclude LMI geographies. According to 2015 American Community Survey (ACS) Census data, this area has 198 census tracts, consisting of 46 low-income, 41 moderate-income, 50 middle-income, 59 upper-income and two unknown-income.

According to the 2015 ACS Census, the total population of the AA was 752,780. The distribution of families by income level was 24.83 percent low-income, 15.89 percent moderate-income, 17.17 percent middle-income, and 42.12 percent upper-income. The number of families in the AA living below the poverty level is 20,969 or 11.57 percent. The 2017 adjusted median family income for the AA was \$74,300.

PNB has three branches and three deposit-taking ATMs in the AA. Strong competition exists for financial services within the AA. As of June 30, 2017, PNB's deposits in the AA totaled \$80 million. PNB's market share is 0.08 percent and ranks number 76 out of 128 depository institutions in this AA. The top five banks make up 57.27 percent of the deposit market share. These banks are Scottrade Bank, U.S. Bank, N.A., Stifel Bank & Trust, Bank of America, N.A., and Commerce bank.

Employment and Economic Factors

The January 2017 unemployment rate for this AA was 4.5 percent, as compared to the state of Missouri's unemployment rate of 4.2 percent and the national unemployment rate of 4.8 percent. Major employers include the following: Anheuser-Busch Companies, Emerson

Electric, May Department Stores, Graybar Electric, Monsanto Company, BJC Health Systems, Boeing International Defense Systems, Scott Air Force Base Washington University, Wal-Mart Stores and SSM Health Care.

Strong competition exists for financial services within the AA. Per the June 30, 2017 FDIC Deposit Market Share Reports, there were 68 deposit-taking institutions in the AA of varying sizes. PNB, with three offices within the AA, ranked 41st with a 0.10 percent market share. The top five lead banks with market share were Scottrade Bank with a market share of 19.60 percent, Stifel Bank & Trust with a market share of 15.15 percent, U.S. Bank, N.A. with a market share of 14.42 percent, Bank of America, N.A. with a market share of 12.40 percent, and Commerce Bank with a market share of 6.82 percent.

Housing

Total housing for the St. Louis MSA AA is 372,510 with owner occupied units of 196,737 or 52.81 percent; occupied rental units of 125,272 or 33.63 percent; and vacant units of 50,501 or 13.56 percent. Total housing in the LMI areas of the AA was 152,727 with owner occupied units of 58,542 or 38 percent; occupied rental units of 62,956 or 41 percent; and vacant units of 31,229 or 21 percent. The median age of housing stock is 70 for low-income and moderate-income areas.

Affordability

We conducted an affordability analysis in this AA to determine if the overall affordability of housing for LMI borrowers was an impediment to PNB's home mortgage lending to LMI borrowers within this AA. Thus, we considered the overall affordability when conducting our analysis and assigning ratings for borrower distribution in this AA.

The cost of housing and its accessibility to LMI families is reflected in the level of homeowners with housing costs that exceed 30 percent of their income. To illustrate the issue of housing affordability, a low-income borrower making \$37,150 (50 percent of the 2017 Federal Financial Institutions Examination Council (FFIEC) adjusted median family income could afford a monthly housing payment of \$923. A moderate-income borrower making \$59,440 (80 percent of the 2017, FFIEC adjusted family median income) could afford a monthly housing payment of \$1,486. Assuming a 30-year mortgage at the 12/1/2017 median list price of \$176,500 with a 5.0 percent interest rate and no down payment, and not accounting for homeowners insurance, real estate taxes, or any additional monthly expenses, this scenario would result in a monthly mortgage payment of \$948. This illustrates that affordable housing appears to be a challenge for low-income individuals and well within reach for moderate-income individuals.

We completed two community contacts in the St. Louis MO-IL MSA AA in conjunction with this examination. We spoke with representatives from one economic development organization and one non-profit organization providing services to the local communities. We identified the following credit needs in the AA:

- Affordable single family and multi-family housing for low- and moderate-income individuals; and
- Funding for smaller dollar single-family housing development projects.