



PUBLIC DISCLOSURE

June 30, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PNA Bank
Charter Number 713824

4800 South Pulaski Road
Chicago, Illinois 60632

Office of the Comptroller of the Currency

2001 Butterfield Road
Suite 400
Downers Grove, IL 60515

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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

- PNA Bank (PNA) makes a majority of its loans inside its assessment area (AA).
- Lending to borrowers of different income levels reflects reasonable penetration throughout the AA.
- PNA's lending to geographies of different income levels reflects reasonable dispersion throughout the AA.

SCOPE OF EVALUATION

The purpose of this evaluation was to assess PNA's ability to help meet the credit needs of its community. PNA is evaluated under the small bank evaluation procedures, which consists of a lending test that evaluates the institution's record of helping to meet the credit needs of its AA through lending activities. The evaluation period is from June 17, 2008, through June 30, 2014. Lending data analyzed for this evaluation covers loans originated and purchased from January 1, 2008, through December 31, 2013.

Residential real estate, PNA's primary loan product, is the basis for the lending test. Residential real estate represents 84 percent of the number and 94 percent of the dollar amount of loan originations during the evaluation period. As of December 31, 2013, residential real estate lending represented 44 percent of total loans. During the evaluation period, purchase and refinance real estate loans represented the majority of residential real estate lending. These two products received equal weight in our analysis. Home improvement and multi-family lending was minimal and would not have had a material impact in the evaluation of PNA's overall lending performance. Therefore, the analysis of those loan products was not performed. PNA reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The data was tested and found to be reliable, and we used it in our lending analysis.

The evaluation of lending data was completed using two separate analysis periods due to changes in the Census data available. We used 2000 Census data and 2011 peer mortgage data to evaluate HMDA loans originated and purchased in 2008 through 2011. We used 2010 Census data and 2012 peer mortgage data to evaluate HMDA loans originated and purchased in 2012 and 2013.

PNA has been operating under a public enforcement document with the Office of the Comptroller of the Currency since May 2010, the terms of which affect PNA's ability to lend. Due to minimal lending volume in recent years, the lending analysis from 2008 through 2011 carried the most weight in our conclusions.

DESCRIPTION OF INSTITUTION

PNA is an intrastate financial savings association with total assets of \$107 million as of December 31, 2013. PNA has two full-service banking offices and two automated teller machines (ATM) located in Chicago, Illinois and Niles, Illinois.

PNA's primary business is to provide household banking services in the form of residential real estate lending and deposit related banking services to its customers. The institution is active in providing loans secured by one-to four-family dwellings, and to a lesser extent providing loans secured by multifamily dwellings and commercial real estate.

PNA has a mortgage foreclosure forbearance program to help homeowners become current with payments. This program provides long-term relief sustained through loan restructures or modifications to homeowners who are facing foreclosure. During the evaluation period, the bank provided loans totaling \$2.9 million to borrowers in the AA, which allowed several homeowners to avoid foreclosure. This program received favorable consideration in the lending test.

PNA's previous CRA rating was Outstanding as issued by the Office of Thrift Supervision using small bank evaluation procedures on June 16, 2008.

DESCRIPTION OF ASSESSMENT AREA

PNA's AA encompass the counties of Cook, DuPage, Kane, McHenry and Will in their entirety. These counties are part of the Chicago-Naperville-Joliet, Illinois Metropolitan Division (MD). The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Based on the 2000 Census data, this AA included 14% low-income census tracts (CTs) and 25% moderate-income CTs. The AA based on 2010 Census information included 13% low-income CTs and 24% moderate-income CTs. The median family income for this AA was \$71,100 in 2008 and \$73,400 in 2013.

The economic recession that began in 2008 adversely affected the AA. The MD's unemployment rate during the evaluation period peaked in January 2010, with an unemployment rate of 11.8% according to the Bureau of Labor Statistics. The unemployment rate as of December 2013 dropped to 8.3%, which is still above the national average of 6.5% as of the same time period.

Competition for financial services in the AA is very strong. The FDIC Deposit Market Share Report for the AA, as of June 30, 2013, shows PNA ranking 125th out of 196 financial institutions with a market share of less than one percent. The top ten institutions in this report are large regional institutions representing more than 70 percent of the AA deposit market share.

As part of this CRA examination, we referred to a community contact in the MD to help ascertain the credit needs of this AA. The community contact noted that there are several opportunities to participate in community service activities including lending for affordable housing, both single family and rental, and small-dollar loans to small businesses. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

PNA's average loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. As of March 31, 2014, PNA's LTD ratio was 84 percent. The LTD ratio averaged 96 percent for the 21 quarters since the last CRA evaluation. Although this LTD ratio is greater than similarly situated institutions within the AA, the number is affected by the purchase of brokered deposits and low lending volumes. Similarly situated institutions are defined as those with asset sizes ranging from \$50 million to \$200 million located within the AA. Their average LTD ratios over the same timeframe ranged from 54 percent to 91 percent.

Lending in Assessment Area

PNA's lending in its AA is reasonable with a majority of its lending inside the AA during the evaluation period.

2008 through 2013 Loans Originated										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
Residential Real Estate Purchase	111	94%	7	6%	118	32,092	93%	2,572	7%	34,664
Residential Real Estate Refinance	111	87%	16	13%	127	39,249	85%	6,816	15%	46,065
Totals	222	91%	23	9%	245	71,341	88%	9,388	12%	80,729

Source: Thrift HMDA data from 2008 – 2013.

Lending to Borrowers of Different Incomes

Lending to borrowers of different income levels in the AA is satisfactory over the evaluation period.

PNA’s distribution of loans to low- and moderate-income borrowers from 2008 to 2011 is satisfactory when compared to other AA lenders. Lending to low-income borrowers is below peer, but lending to moderate-income borrowers is above peer and comparable to demographics for the AA. Distribution of loans to low-income borrowers from 2012 to 2013 is 100%, however, it is considered very poor as this represented only one 1-4 family residential real estate loan during this timeframe.

Borrower Distribution of Residential Real Estate Loans 2008-2011					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Families by Income Level
	Purchase	Refinance	Purchase	Refinance	
Loan Type					
Low	9.09	4.5	11.80%	5.92%	21.02%
Moderate	27.27	16.22	24.55%	13.15%	17.57%
Middle	19.09	21.62	23.85%	22.36%	21.95%
Upper	44.55	57.66	39.80%	58.57%	39.46%

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2008-2011, 2011 peer mortgage data

Borrower Distribution of Residential Real Estate Loans 2012-2013					
Borrower Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Families by Income Level
	Purchase	Refinance	Purchase	Refinance	
Loan Type					
Low	100%	0	11.20%	5.92%	22.85%
Moderate	0	0	23.88%	13.55%	16.86%
Middle	0	0	23.48%	23.01%	19.35%
Upper	0	0	41.44%	57.52%	40.94%

Source: 2010 U.S. Census data and thrift's HMDA loan data for 2012-2013, 2012 peer mortgage data

Geographic Distribution of Loans

PNA’s geographic distribution of loans reflects reasonable dispersion throughout the AA over the evaluation period.

PNA’s distribution of loans in low-income CTs from 2008 to 2011 is excellent for purchase loans and satisfactory for refinance loans when compared to other AA lenders and the area demographics. Lending in moderate-income CTs is excellent for both purchase and refinance loans when compared to peers and compares favorably to demographics for the AA. Distribution of loans in low- and moderate-income CTs from 2012-2013, is very poor.

Geographic Distribution of Residential Real Estate Loans 2008-2011					
CT Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Owner Occ Housing Units
	Purchase	Refinance	Purchase	Refinance	
Loan Type					
Low	2.73%	0%	2.62%	1.47%	2.65%
Moderate	16.36%	14.41%	12.03%	8.03%	15.37%
Middle	45.45%	35.14%	39.64%	32.61%	44.30%
Upper	35.46%	50.45%	45.71%	57.89%	37.68%

Source: 2000 U.S. Census data and thrift's HMDA loan data for 2008-2011

Geographic Distribution of Residential Real Estate Loans 2012-2013					
CT Income Level	% Total Thrift Loans		% of Loans by AA Lenders		% of AA Owner Occ Housing Units
	Purchase	Refinance	Purchase	Refinance	
Loan Type					
Low	0%	0	2.76%	1.89%	4.07%
Moderate	0	0	13.42%	9.48%	18.36%
Middle	0	0	35.36%	30.54%	37.23%
Upper	100%	0	48.46%	58.09%	40.34%

Source: 2010 U.S. Census data and thrift's HMDA loan data for 2012-2013

Responses to Complaints

PNA has not received any complaints about its performance in meeting the credit needs of the community during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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