



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

March 5, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank, National Association
Charter Number 9408**

**108 South Washington
McLeansboro, IL 62859**

**Comptroller of the Currency
St. Louis Field Office
2350 Market Street, Suite 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- The bank's distribution of loans to individuals of different income levels and to businesses and farms of different sizes is satisfactory.
- The geographic distribution of loans reflects satisfactory penetration among the census tracts (CTs) in the assessment areas (AAs).
- Community development performance demonstrates adequate responsiveness to the needs of its AAs through loans, qualified investments, and services.
- A majority of the loans originated by the bank are to customers from within its AAs.
- The average loan-to-deposit ratio is reasonable given the bank's size, its financial condition, and the credit needs of its AAs.

SCOPE OF EXAMINATION

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

- The evaluation period covers loans originated or purchased from January 1, 2004 through December 31, 2006, and community development activities from January 1, 2004 through March 5, 2007.
- PNB has two AAs: the Illinois NonMSA AA, and the St. Louis Multi-State MSA AA. A significant majority of the bank's loans and deposits are generated from the Illinois NonMSA AA, which will receive a full-scope review. The St. Louis Multi-State MSA AA activity is a very small portion of the bank's operation, and the branch in Missouri was not established until June 2006. Therefore, this AA will only receive a limited-scope review.
- Conclusions regarding the bank's lending performance are based on PNB's primary loan products, which include residential mortgage, commercial, and agricultural loans.

- We conducted a data integrity review of the residential mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) for the years 2005 and 2006. We compared information from the bank's loan application register to the loan files. We found the HMDA data to be accurate and reliable for use in this examination.
- PNB was not required to maintain CRA data on small business and small farm lending in 2006 outside of the individual credit files. Thus, we reviewed a sample of 38 commercial and 34 agricultural loans originated during 2005 and 2006.

DESCRIPTION OF INSTITUTION

PNB is a \$640 million interstate community bank headquartered in McLeansboro, Illinois. PNB has fourteen branch offices located in the State of Illinois, one branch office located in the State of Missouri, and eighteen ATMs. There were several changes in branch locations during this evaluation period. In 2004, PNB opened a branch in St. Charles, Missouri. In 2005, PNB opened two additional branches in Illinois, one in Belleville and one in Salem. In 2006, PNB opened four more branches, three in Illinois (Effingham, Vandalia, and Marion), and one in the City of St. Louis, Missouri. Two branches were closed in 2006: one in Illinois, and one in Missouri. The St. Charles, Missouri branch was opened and closed during the evaluation period and did not represent a material portion of the bank's operations at any time. PNB has two AAs covering 118 CTs: 110 within the State of Illinois, and 8 within the City of St. Louis.

PNB is a wholly-owned subsidiary of Market Street Bancshares, Inc., a one-bank holding company headquartered in Mount Vernon, Illinois. As of December 31, 2006, the holding company had total assets of approximately \$644 million.

PNB is a full-service lender offering various loan and deposit products. PNB's three primary lending products are residential real estate, agricultural, and commercial loans. As of December 31, 2006, net loans and leases represented 80% of total assets and consisted of commercial and commercial real estate (49%), agricultural and agricultural real estate (23%), residential real estate (19%), other (7%), and consumer (2%) loans.

There are no financial conditions, legal constraints, or other factors that would hinder the bank's ability to meet the credit needs of the communities within its AAs. Tier 1 Capital was reported at \$54 million as of December 31, 2006. The bank's previous CRA rating as of December 31, 2003 was Satisfactory.

DESCRIPTION OF ILLINOIS NONMSA AA

The Illinois NonMSA AA has 73 CTs in the following counties: Effingham, Fayette, Hamilton, Jefferson, Marion, Saline, Wayne, Williamson, and a portion of Washington. The counties of Effingham, Fayette and Williamson were added since our last examination as a result of branches opened in Vandalia, Effingham, and Marion during 2006. This AA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies.

Within the Illinois NonMSA AA, PNB has twelve full-service branch offices and fifteen ATMs. Full-service ATMs are located at eleven branch offices. As of June 30, 2006, 97% of PNB's deposits were derived from this eight-county Illinois NonMSA AA; only 3% of deposits came from the St. Louis Multi-State MSA AA.

PNB's deposits in the Illinois NonMSA AA total \$480 million. Based on FDIC deposit market share data as of June 30, 2006, this equates to 11.5% deposit market share, which ranks PNB as the largest deposit-taking institution in this AA.

As of 2000, the Median Family Income was \$44,000. Based on this figure, the AA has fifteen or 21% moderate-, fifty-six or 77% middle-, and two or 3% upper-income CTs. There are no low-income CTs in the AA. Seven CTs in the County of Effingham are designated middle-income nonmetropolitan distressed geographies due to a loss in population, indicating the CTs are likely to have difficulty financing the fixed costs of meeting essential community needs.

The majority of the housing within the AA is owner-occupied (69%), and the median housing value is \$59,700. One-to-four family homes account for 95% of the local housing stock, with multifamily homes accounting for the remaining 5%; 15% of the units are mobile homes. Owner-occupied housing data shows that 17% of the units are in the moderate-income CTs, 80% are in the middle-income CTs, and 3% are in the upper-income CTs.

The 2006 HUD Adjusted Median Family Income was \$52,000. Based on this information, the AA has 20% low-income, 20% moderate-income, 25% middle-income, and 35% upper-income families. Based on 2000 Census data, 13% of households live below the poverty level.

Small businesses are a large segment of the local economy. There are 17,856 businesses in this AA. Businesses with less than \$1 million in annual revenue account for 59% of the total businesses in the AA. Businesses with revenue greater than \$1 million account for 5%, and the remaining 37% have unknown revenues. Of the businesses in this AA, 4,532 (25%) are located in moderate-income CTs, 12,895 (72%) in middle-income CTs, and 429 (2%) in upper-income CTs.

This eight-county area is located in southeastern and south central Illinois. The major industries in the AA are agriculture, retail trade, and services. Major employers of the counties include Continental Tire, Mt. Vernon; St. Mary's Good Samaritan, Mt. Vernon and Centralia; Department of Corrections (Big Muddy in Ina and Centralia Correctional Facilities); North American Lighting; Walgreens Distribution Center, Mt. Vernon; Airtex Products, Fairfield; NAPA Distributing, Mt. Vernon; and several hospitals and community colleges. As of November 2006, the unemployment rate for the AA ranged from 3.3% in Effingham County to 5.3% in Marion County, compared to 3.7% for the State of Illinois and 4.3% for the nation.

There are 49 financial institutions in the AA. Major competitors include a mix of large banks with a national presence, large regional banks, and smaller community banks. Specifically, other financial institutions in this AA include Banterra Bank, Old National Bank, Fifth Third Bank, Regions Bank, and US Bank N.A.

Three community contacts from the bank's AA were made during the evaluation. These contacts included representatives from the Chamber of Commerce and Economic Development organizations. Two of the three contacts said the local economies are stagnant, with manufacturing on the decline and plant closings occurring in the last few years. One community contact stated a local need exists for micro-loans, i.e., amounts under \$5,000. The contact also stated access to equity is the greatest need for their clients. The contacts agreed that PNB always seems willing to participate in various small business programs.

DESCRIPTION OF ST. LOUIS MULTI-STATE MSA AA

The St. Louis Multi-State MSA AA has 45 CTs: 37 in St. Clair County, Illinois, and 8 in St. Louis City, Missouri. This AA meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies.

PNB has three full-service branch offices and three full-service ATMs located in the St. Louis Multi-State MSA AA. As of June 30, 2006, 3% of PNB's deposits were derived from the St. Clair County MSA area. The St. Louis branch opened in July 2006 and this data was not available for our analysis. PNB's deposits in this AA total \$13 million. Based on FDIC deposit market share data as of June 30, 2006, this equates to 0.40% deposit market share.

As of 2000, the Median Family Income was \$53,000. Based on this figure, the AA has fifteen or 33% low-, fourteen or 31% moderate-, twelve or 27% middle-, and two or 4% upper-income CTs. Two CTs are designated as income not applicable.

The majority of the housing within the AA is owner-occupied (53%) and the median housing value is \$67,057. One-to-four family homes account for 81% of the local housing stock; multifamily homes account for the remaining 19%. Only 6% of the units are mobile homes. Owner-occupied housing data shows that 14% of the units are in the low-income CTs, 30% are in the moderate-income CTs, 48% are in the middle-income CTs, and 8% are in the upper-income CTs.

The 2006 HUD Adjusted Median Family Income was \$66,000. Based on this information, the AA has 15,000 or 33% low-, 8,000 or 19% moderate-, 9,000 or 21% middle-, and 12,000 or 26% upper-income families. Based on 2000 Census data, 19% of households live below the poverty level.

Small businesses are a large segment of the local economy. There are 12,843 businesses in this AA. Businesses with less than \$1 million in annual revenue account for 62% of the total businesses in the AA. Businesses with revenue greater than \$1 million account for 7%, and the remaining 31% have unknown revenues. Of the businesses in the AA, 2,665 (21%) are located in the low-income CTs, 4,950 (38%) are located in the moderate-income CTs, 4,236 (33%) are located in the middle-income CTs, and 611 (5%) are located in the upper-income CTs. The remaining 381 (3%) are located in the income not applicable CTs.

St. Clair County is part of the St. Louis Multi-State MSA. The major industries in the AA are agriculture, retail trade, and services. Major employers include Scott Air Force Base, Anheuser

Busch, and Chrysler. As of November 2006, the unemployment rate for the St. Louis Multi-State MSA was 4.8% in comparison to the national unemployment rate of 4.3%.

There are 46 financial institutions in the AA. Major competitors in this AA include a mix of large banks with a national presence, large regional banks, and smaller community banks. Specifically, other financial institutions in this AA include Pulaski Bank, Heartland, Jefferson Bank and Trust, Bank of Edwardsville, Regions Bank, US Bank N.A., Bank of America, and National City.

Two community contacts from the bank's AA were made during the evaluation. These contacts were both directors for housing-related nonprofit organizations. One of the contacts said the local economies are stable with little or no growth. This contact stated the primary credit needs are first mortgage and affordable housing loans, and acquisition and rehabbing funds. This contact further indicated that these credit needs are being met. The second contact stated current economic conditions are looking fairly good but the affordable housing picture is not very good. The contact also said the primary credit need is the access to capital which will in turn provide affordable housing and community development for the neighborhoods. The contacts agreed that the local financial institutions offer a variety of products and stated no other problems.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

PNB meets the standards for satisfactory performance. In making this determination, we gave more weight to the performance of lending in the Illinois NonMSA AA because a majority of loan originations are from this AA.

- The distribution of loans to individuals of different income levels and to businesses and farms of different sizes is reasonable.
- The geographic distribution of loans reflects reasonable penetration among the CTs in the AA.
- A majority of the loans originated by PNB are to customers from within its AA.
- The average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs.

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses and farms of different sizes.

Mortgage Lending

The bank's distribution of home mortgage loans to borrowers of different income levels is reasonable. PNB's lending to moderate-income borrowers for home purchase loans (29%) is excellent, exceeding the percentage of moderate-income families (20%) in the Illinois NonMSA AA. Lending to moderate-income borrowers for home refinance loans (15%) falls below the level of moderate-income families (20%) in the AA. Although lending to low-income borrowers

for both home purchase and refinance loans is below the percentage of low-income families in the AA, this is considered reasonable given that 13% of the households in the AA live below the poverty level.

The following table shows the distribution of residential real estate loans made to borrowers of different income levels within the AA.

Borrower Distribution of Residential Real Estate Loans in the Illinois NonMSA 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	20	7	20	29	25	26	35	35
Home Refinance	20	9	20	15	25	37	35	34

Source: PNB's HMDA information for 2005 and 2006, and 2000 Census data. For Home Purchase and Home Refinance loans, 3% and 5% of loans, respectively, did not have income levels identified.

Commercial Lending

Given the demographics of the AA, the distribution of loans to businesses reflects excellent penetration among businesses of different sizes. From our sample of commercial loans originated by PNB, 80% were to small businesses, which are businesses with gross annual revenues of \$1 million or less. The demographic data shows 59% of the businesses in the AA have annual gross revenues equal to or less than \$1 million.

The following table shows the distribution of commercial loans among businesses of different sizes within the AA.

Borrower Distribution of Loans to Businesses in the Illinois NonMSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	59	6	35	100
% of Bank Loans in AA by #	80	15	5	100
% of Bank Loans in AA by \$	90	9	1	100

Source: Sample of 20 business loans with original amounts of less than \$1 million originated between January 2005 and December 2006.

Agricultural Lending

The distribution of agricultural loans reflects reasonable response to the credit needs of the AA. All agricultural loans we sampled (100%) were to small farms. Small farms are farms with gross annual revenues of \$1 million or less. The demographic data shows 97% of the farms in the AA have annual gross revenues equal to or less than \$1 million.

The following table shows the distribution of agricultural loans among farms of different sizes within the AA.

Borrower Distribution of Loans to Farms in the Illinois NonMSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	97	2	1	100
% of Bank Loans in AA by #	100	0	0	100
% of Bank Loans in AA by \$	100	0	0	100

Source: Sample of 20 agricultural loans with original amounts of less than \$500,000 originated between January 2005 and December 2006.

Geographic Distribution of Loans

The geographic distribution of PNB's home mortgage, small business, and small farm loans reflects reasonable dispersion throughout the Illinois NonMSA AA.

Mortgage Lending

PNB's geographic distribution of residential lending reflects an adequate level of penetration in CTs of different income levels. The level of home purchase and home refinance lending in moderate-income CTs, at 11% and 9%, respectively, is less than the percentage of owner-occupied housing units (17%) in the moderate-income geographies. Moderate-income CTs contain 13,737 owner-occupied units; however, 3,427 (25%) of these units are in moderate-income CTs in the counties that PNB has been in less than one year.

The following table shows the distribution of residential real estate loans among CTs of different income levels within the AA.

Geographic Distribution of Residential Real Estate Loans in the Illinois NonMSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	17	11	80	85	3	4
Home Refinance	NA	NA	17	9	80	87	3	4

Source: PNB's HMDA information for 2005 and 2006, and 2000 Census data.

Commercial Lending

PNB's geographic distribution of commercial lending reflects an adequate level of penetration in CTs of different income levels. Based on our sample of the commercial loans originated in the evaluation period, the percentage made in moderate-income CTs (5%) is significantly below the level of commercial businesses located in these CTs (25%). Moderate-income CTs contain 4,532 commercial businesses; 718 (16%) are in the moderate-income CTs of the counties that PNB has been in for less than one year.

The following table shows the distribution of commercial loans among CTs of different income levels within the AA.

Geographic Distribution of Loans to Businesses in the Illinois NonMSA 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	25	5	72	90	3	5

Source: Sample of 20 business loans with original amounts of less than \$1 million originated between January 2005 and December 2006.

Agricultural Lending

PNB's geographic distribution of farm lending reflects an adequate dispersion in CTs of different income levels. There were no farm loans made in moderate-income geographies compared to the 6% of farms located in these CTs. There are only 113 farms located in the moderate-income geographies of this AA; of these farms, 42 (37%) are located in the moderate-income CTs of the counties that PNB has been in for less than one year.

The following table shows the distribution of agricultural loans among CTs of different income levels within the AA.

Geographic Distribution of Loans to Farms in the Illinois NonMSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	NA	NA	6	0	90	100	4	0

Source: Sample of 20 agricultural loans with original amounts of less than \$500,000 originated between January 2005 and December 2006.

Lending in the Assessment Areas

A majority of loans originated by PNB are to customers within the AAs. Based on HMDA data and a sample of small business and small farm loans originated between January 1, 2005 and December 31, 2006, 80% of the number of loans and 70% of the dollar amount of loans were made within the bank's AAs. Home purchase loans showed similar percentages, with 80% of the number of loans and 69% of the dollar amount of loans made within the bank's AAs. Based on the number of loans, 83% of the home refinance and 70% of the small business and farm loans were made in the bank's AAs.

Loan-To-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's average LTD ratio for thirteen quarters ending September 30, 2006 was 87.89%, ranging from a low of 83.45% to a high of 93.70%. This ratio is the second highest average LTD ratio for the six banks in the AA with total assets between \$240 million and \$982 million. Individual averages of the banks in the AA ranged from a low of 51.74% to a high of 89.54%.

Written Complaints

PNB has not received any written complaints about its performance in meeting the credit needs within its AAs during this evaluation period.

COMMUNITY DEVELOPMENT TEST

PNB's community development (CD) performance demonstrates adequate responsiveness to the needs of its AAs through loans, qualified investments, and services.

Community Development Loans

CD lending is adequate. PNB has five qualifying CD loans totaling \$16,416,000 originated during the evaluation period.

- PNB originated a \$1,649,834 loan with proceeds used to refinance an Illinois Development Finance Authority (IDFA) bond. The IDFA bond was used to purchase and improve a 94-bed licensed ICF-DD nursing home in Salem, Illinois, providing affordable housing for the developmentally disabled. The borrower derives income primarily from the State of Illinois Department of Human Services and Federal Medicaid funds. Residents of this facility are low-income individuals who are wards of the State of Illinois.
- PNB originated two loans totaling \$3,335,000 with proceeds used to renovate/remodel two bowling facilities. The renovation/remodeling projects were needed to remain competitive and retain twelve minimum wage jobs, thereby promoting economic development.
- PNB originated a \$10,000,000 loan with proceeds used to construct a water treatment facility and pipeline distribution system. The company was formed to be a regional potable water supplier for the east Clinton, Marion, Clay, Wayne and Fayette Counties. Clinton, Marion, Clay and Fayette Counties contain several moderate-income CTs. The construction of this facility is needed to help attract and retain residences, thereby revitalizing and stabilizing the surrounding geographies.
- PNB originated a \$1,431,255 loan with proceeds used to construct a building and purchase and install a 1,001,000 gallon liquid fertilizer tank. The expansion of the company was needed to remain competitive, create jobs, and retain minimum wage jobs.

Qualified Investments

Qualified investments and donations are adequate. PNB has made a total of \$7 million in qualified investments and \$1,500 in donations to CD organizations assisting low- and moderate-income individuals and families within the AAs. Qualifying investments and donations are as follows:

Current Period

Current period qualified investments consist primarily of a \$6 million equity investment in a community development corporation (CDC). The bank invested \$3.5 million in this CDC in 2005 and an additional \$2.5 million in 2006. These organizations promote economic

development by creating and retaining permanent jobs in a distressed area of the AA per the New Markets Tax Credit program. This CDC has originated six loans during the evaluation period for \$3,387,540.

Donations were made to various organizations including Centralia Shop With A Cop, Kids At Risk In Education, Salvation Army, Toys for Tots, and St. Jude's Children's Hospital.

Prior Period

Prior period qualified investments consist primarily of a \$1 million investment in a \$37 million Illinois Equity Fund – Tax Credit Investment Fund. Proceeds were used for the construction or rehabilitation of approximately 1,100 housing units for low- and moderate-income individuals residing across the State of Illinois and outside the Chicago area. The housing units consist of multifamily residential apartment complexes and single-family homes representing 23 separate housing projects. PNB acquired this investment in 2003.

Service Test

Retail Banking Services

PNB's delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the AA. PNB has twelve full-service branches in the AA. PNB has 25% of its branches in this AA in moderate-income CTs. This compares favorably to the 19% of the population in these CTs. Branch hours offer reasonable access and convenience. PNB has fifteen ATMs. PNB's ATM network offers an alternative delivery system for providing retail banking services to low- and moderate-income individuals and in low- and moderate-income geographies. Extended hours are available with either the lobby or drive-up locations open on Saturdays and open longer on Fridays. All the bank's loan and deposit products are available at all branch locations except at the grocery store branch in Salem. This location does not originate loans.

The bank offers 24-hour access for its customers through its telephone banking and Internet banking products. These free products allow customers to check balances, transfer funds, and make loan payments. Bill payment is also available at no cost for regular users.

Community Development Services

PNB provides a strong level of CD services based on the capacity of the bank, as well as on the needs and availability of opportunities in the AA. During this evaluation period, employees of the bank provided technical financial assistance to fifteen organizations that meet the definition of CD. Six of the organizations provide community services to low- and moderate-income people, five support economic development by financing small businesses, and four provide affordable housing for low- and moderate-income individuals.

Six of the organizations served provide services in a variety of ways to primarily low- and moderate-income individuals. Bank employees provide assistance to these organizations by preparing budgets, guiding investment decisions, and providing oversight for capital and operating expenditures. One of these entities provides job training and search and placement assistance to low- and moderate-income individuals. Another organization teaches life skills and

provides vocational training to developmentally challenged low- and moderate-income individuals.

Five organizations served supply financing, facilitate financing, and/or give technical assistance on financial matters to small businesses generally employing low- to moderate-income individuals. Bank employees provide assistance to these organizations by serving as board and committee members, providing financial management counseling, completing loan reviews for economic development loan packages, providing technical assistance regarding available county programs, and assisting in developing funding for businesses. One of these organizations grants low interest rate loans to small businesses for the creation or retention of jobs for low- and moderate-income individuals in the community.

Four of the organizations served provide affordable housing and/or make available low-interest financing for home improvements to low- and moderate-income individuals. Bank employees assist these organizations by providing credit counseling to prospective homeowners and presenting First-Time Home Buyer Seminars to low- and moderate-income individuals. One of PNB's employees assisted an organization in completing and filing an application with the Federal Home Loan Bank. The \$120,000 grant was to be used in the construction of a 34-unit multifamily housing project for primarily low- and moderate-income individuals.

CONCLUSIONS FOR AREAS RECEIVING LIMITED-SCOPE REVIEWS

LENDING TEST

PNB's performance in the St. Louis Multi-State MSA AA is consistent with the performance in the Illinois NonMSA AA. In the absence of reported CRA data, we reviewed a distribution of the loans to businesses of different sizes PNB has made in this AA. PNB only originated 89 loans totaling \$56 million; the majority of the number of loans having an original amount of less than \$250,000. PNB also has very few HMDA-reportable loans in this AA: only nine loans, totaling \$2 million. While PNB has been in this market since 2003, they have less than 0.10% market share of deposits in this AA. This AA is highly competitive with 46 institutions having 182 offices.

COMMUNITY DEVELOPMENT TEST

PNB's CD performance in the St. Louis Multi-State MSA AA is consistent with the performance in the full-scope Illinois NonMSA AA.

Community Development Loans

PNB's CD lending is adequate. PNB has two qualifying CD loans totaling \$3.4 million originated during the evaluation period. A summary of these loans is detailed below.

- PNB originated a \$2,422,500 loan with proceeds used to construct a hotel on Laclede's Landing, St. Louis City, with an estimate of creating 15-20 jobs for low- and moderate-income individuals.
- PNB originated a \$1 million loan with proceeds used to construct a car dealership which is expected to create 20 jobs for low- and moderate-income individuals.

Qualified Investments

The bank has invested a total of \$205,000 in equity funds to CD organizations assisting low- and moderate-income individuals and families within this AA. Qualifying investments are as follows:

Current Period

PNB made a \$200,000 equity investment in a CDC in 2006. This organization provides a steady source of equity for area developers and a variety of resident support programs for neighborhood improvements. This equity has been used to finance affordable homes and apartments and revitalize neighborhoods throughout the St. Louis area and Missouri.

Prior Period

PNB made a \$5,000 equity investment in a CDC in 2003. This organization's purpose is to promote community and economic development. It targets low- or moderate-income persons in Clinton, Madison, and St. Clair Counties. Financing is provided to profit and not-for-profit small businesses that offer affordable housing, retain or create jobs, revitalize or stabilize neighborhoods, or provide community services.

Service Test

Retail Banking Services

PNB's delivery systems are reasonably accessible to geographies and individuals of different income levels throughout the AA. PNB has three full-service branches in the AA. PNB has 33% of its branches in this AA in moderate-income CTs. This compares favorably to the 30% of the population in these CTs. PNB does not have any branches in low-income CTs in this AA; however, 24% of the population in this AA lives in low-income CTs. Branch hours offer reasonable access and convenience. PNB has three ATMs in this AA. PNB's ATM network offers an alternative delivery system for providing retail banking services to low- and moderate-income individuals and in low- and moderate-income geographies. Extended hours are available with either the lobby or drive-up locations open on Saturdays and open longer on Fridays. All the bank's loan and deposit products are available at all branch locations.

The bank offers 24-hour access for its customers through its telephone banking and Internet banking products. These free products allow customers to check balances, transfer funds, and make loan payments. Bill payment is also available at no cost for regular users.

Community Development Services

Although PNB has not been in this market for a long time, management provides a good level of CD services in this AA. During this evaluation period, employees of the bank provided technical financial assistance to more than eight organizations that meet the definition of CD. Five of the organizations support economic development by financing small businesses, two

provide affordable housing for low- and moderate-income individuals, and one provides community services to low- and moderate-income people. Bank employees provide assistance to these organizations by preparing budgets, identifying projects to address development needs, preparing applications for new market tax credits, and assisting with first-time home buyers' seminars.

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.