

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Market Street Bancshares, Inc. and Peoples National Bank

Point of Contact:	Thomas Dolson	RSSD: (For Bank Holding Companies)	1250437
UST Sequence Number:	1188	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,300,000	FDIC Certificate Number: (For Depository Institutions)	3809
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Mt. Vernon
Date Repaid ¹ :	N/A	State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

The loan portfolio has increased in the past year despite the economic conditions and normal runoff. We continue to pursue every lending opportunity and with the help of the CPP Capital, we were able to maintain normal lending standards for qualified customers.

To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

Certain types of lending have been increased, with the majority of the increase in commercial and industrial loans and multifamily residential properties loans.

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Increase securities purchased (ABS, MBS, etc.).

Make other investments.

See description listed in Section labeled "What actions were you able to take that you may not have taken...." on the next page.

Increase reserves for non-performing assets.

See description listed in Section labeled "What actions were you able to take that you may not have taken...." on the next page.

Reduce borrowings.

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Increase charge-offs.

Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

Market Street's Tier 1 Ratio improved from 7.45% at 3/31/09 to 9.53% at 12/31/10. The total risk based capital ratio improved from 10.98% at 3/31/09 to 13.78% at 12/31/10.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

n/a

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Market Street Bancshares, Inc. (MSB) received CPP Capital on May 15, 2009. Since that time MSB has used the CPP Capital to establish a non-leveraged LLC for the purpose of holding certain well collateralized classified loans. By using the CPP Capital in this way, it has benefitted MSB and its wholly owned subsidiary Peoples National Bank (PNB) in the following ways: 1) Allows more time to negotiate with borrowers to resolve credit issues and/or to proceed with the orderly liquidation of the collateral. 2) Helps maintain strong capital and loan loss reserve ratios both in PNB and MSB. 3) By isolating certain loans in the LLC, we can continue to concentrate on meeting the credit needs of our customers. Even in a time of declining loan demand, the bank was able to maintain a very positive Loan to Deposit ratio. As a Community Bank our most important function is to make credit available in our market area. The CPP Capital has allowed us to take a longer, more constructive approach in dealing with credit issues that have arisen and more importantly, to continue to serve as a source of funding for thousands of customers who want and need our services.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

n/a