



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 07, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Peoples National Bank of Mount Pleasant  
Charter Number 6667

Union and Concord Streets  
Mount Pleasant, OH 43939

Office of the Comptroller of the Currency

Northern Ohio Field Office  
200 Public Square, Suite 1610  
Cleveland, OH 44114

**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 major factors supporting this rating are:

- ***Lending reflects excellent penetration among borrowers of different incomes.***
- ***The loan-to-deposit ratio is reasonable.***
- ***The majority of lending during the evaluation period was outside of the bank's assessment area (AA). Also, the geographic distribution of loans within the AA reflects poor dispersion among geographies of different income levels. Given composition of the assessment area and the type of lending the bank does, these factors were weighted less when drawing overall conclusions on the bank's performance.***

**SCOPE OF EXAMINATION**

This Performance Evaluation covers the period from July 19, 2004 to March 7, 2011. We evaluated The Peoples National Bank of Mount Pleasant (PNB) using small bank Community Reinvestment Act (CRA) procedures.

PNB's primary loan product is consumer loans, centered in indirect automobile loans. We selected a sample of consumer loans originated by the bank between January 1, 2009 and March 7, 2011 to evaluate the bank's lending performance. The sample of consumer loans is representative of the bank's business strategy since our last CRA examination. The bank reports home loan data under the requirements of the Home Mortgage Disclosure Act (HMDA). However, we did not use HMDA data to evaluate the bank's performance because the volume of home mortgage loans has been low, and mortgage lending did not represent a primary loan product during the evaluation period.

In addition to our testing of the loan sample, we utilized U.S. Census data and information from a community contact to assess the AA and the performance of financial institutions in the AA.

## DESCRIPTION OF INSTITUTION

PNB is a wholly owned subsidiary of Peoples Bancorp Inc, a single bank holding company. PNB's main office is in Mt. Pleasant, Ohio, located in the southwestern corner of Jefferson County. The bank offers traditional banking products through its main office and two branches located in Adena, Ohio and Dillonvale, Ohio. PNB offers many products specifically designed to serve low- and moderate-income customers, including free checking, free government check cashing, low minimum balance savings, low minimum balance IRA accounts, and short-term unsecured demand loans as low as \$100. All three banking offices provide drive-up services. The bank does not have any automated teller machines (ATMs). PNB has not opened or closed any branches since our last CRA examination.

As of December 31, 2010, PNB reported total assets of \$52 million and Tier One capital of \$6.6 million. PNB's net loans total \$42 million, or 79.41 percent of total assets. The loan portfolio consists of consumer loans (74.64 percent), real estate loans (25.07 percent), and commercial loans (0.29 percent). PNB has shifted its primary lending strategy from residential real estate lending to consumer lending since our last CRA examination. Consumer lending is centered in indirect automobile loans.

There are not any legal or financial impediments inhibiting PNB's ability to meet the credit needs of its AA. We assigned a Satisfactory rating to the bank as a result of our last CRA Performance Evaluation, dated July 19, 2004.

## DESCRIPTION OF ASSESSMENT AREA

The bank's AA is comprised of a large portion of Jefferson County, plus small portions of Belmont and Harrison counties located adjacent to the bank's offices. Jefferson County is located in the Weirton-Steubenville, West Virginia-Ohio Multistate Metropolitan Statistical Area (MSA), and is where all three of the bank's offices are located. While Belmont County is located in the Wheeling, West Virginia – Ohio Multistate MSA, and Harrison County is not located in an MSA, the geographies are combined to form one contiguous AA for purposes of this evaluation. The AA meets the requirements of the regulation. The AA does not extend substantially beyond the boundaries of the Weirton-Steubenville MSA, and does not arbitrarily exclude any low- or moderate-income areas. The AA consists of one low-income census tract, five moderate-income tracts, eighteen middle-income tracts, and one upper-income tract. Table 1 highlights demographic information of the AA:

Table 1 - Demographic Information for Assessment Area					
Demographic Characteristics	#	Low Income	Moderate Income	Middle Income	Upper Income
Geographies (Census Tracts)	25	4.00%	20.00%	72.00%	4.00%
Population by Geography	79,963	1.65%	14.00%	81.33%	3.02%
Owner-Occupied Housing by Geography	24,194	0.86%	9.36%	86.64%	3.13%
Businesses by Geography	4,141	1.30%	19.73%	74.26%	4.71%
Farms by Geography	132	0.76%	1.52%	96.97%	0.76%
Family Distribution by Income Level	22,294	20.84%	19.46%	22.25%	37.45%
Median Family Income HUD Adjusted = \$49,860		Median Housing Value = \$60,789			
Median Family Income for 2010 = \$39,713		Unemployment Rate: (January 2011 unadjusted) = 9.8%			
Households Below the Poverty Level = 16.17%		United States = 10.1%			
		State of Ohio = 13.6%			
		Jefferson County = 10.8%			
		Belmont County = 13.1%			
		Harrison County			

Source: 2000 U.S. Census; 2010 Business Demographic Data

The local economy of the AA has deteriorated since our last Performance Evaluation. Unemployment rates in all three counties are higher than the state and national averages. Population has been decreasing for years, and the forecast is for the trend to continue. Education, health services, retail trade, and local governments provide a majority of the employment opportunities in the AA. Major employers in the AA include Franciscan University, Trinity Health System, Wal-Mart, and several local school districts.

Competition from other financial institutions in the AA is moderate, although PNB is the only bank headquartered in Jefferson County. Competition in the AA includes large national banks, regional banks, and community banks. According to June 30, 2010 FDIC deposit data, there are 16 FDIC-insured banks operating 75 offices in Jefferson, Belmont, and Harrison counties.

During our assessment of the bank's performance, we met with employees of a local organization to get a better understanding of the AA and its credit needs. The group generally felt that banks in the AA are addressing the needs of the community, and that branches and ATMs are generally accessible. The group identified small business lending, financing for affordable housing, and community outreach as credit and non-credit needs in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

PNB's overall performance is Satisfactory. The distribution of the bank's consumer loans reflects excellent penetration among borrowers of different incomes. We placed a majority of the weight on this factor because of the high percentages of low- and moderate-income households throughout the AA. The geographic distribution of the bank's consumer loans reflects poor dispersion among census tracts of different income levels. We did not place as much weight on this factor because the bank's low- and moderate-income census tracts do not represent large portions of the AA. Finally, while the bank originated a majority of its consumer loans outside of the AA, the bank's loan-to-deposit ratio is reasonable.

### **Loan-to-Deposit Ratio**

PNB's average loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's LTD ratio averaged 72.22 percent during the 27 quarters since the last examination. The LTD ratio ranged from a low of 48.05 percent to a high of 90.70 percent during the 27 quarters. The LTD ratio steadily increased during the evaluation period.

PNB's LTD ratio ranks highest when compared to three local financial institutions of similar size. The comparison banks' LTD ratios averaged 39.26 percent during the same 27 quarter period. The comparison banks range in asset size from \$25 million to \$411 million.

### **Lending in Assessment Area**

PNB's record of lending in the AA does not meet the standards for satisfactory performance. PNB originated a majority of its primary loan products outside of the AA. We based our conclusions on a sample of 60 consumer installment loans. We found the bank originated only 26.67 percent of the number of loans, and 11.88 percent of the dollar volume of loans, inside the AA. Bank management has shifted its lending focus to indirect auto loans because of low demand for residential real estate loans and the poor local economy. Additionally, our sample does not include short-term demand loans offered by the bank; a significant number of consumers in the AA use this type of loan product. The structure and limited available information regarding these loans does not allow for meaningful analysis.

Table 2 details the bank's installment lending to consumers inside and outside of the AA, by number and dollar amount of loans.

<b>Table 2 - Lending in Assessment Area (Consumer Loans)</b>									
Number of Loans					Dollars of Loans (000s)				
Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
#	%	#	%		\$	%	\$	%	
16	26.67	44	73.33	60	125	11.85	930	88.15	1,055

Source: Random sample of consumer installment loans originated from January 2009 through February 2011

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

PNB's distribution of loans reflects excellent penetration among borrowers of different incomes, and exceeds the standard for satisfactory performance overall. The percentage of loans originated by the bank to low-income borrowers by number and by dollar amount is lower than the percentage of low-income households in the AA. However, the percentage of loans to moderate-income borrowers by number and by dollar amount far exceeds the percentage of moderate-income households in the AA. Additionally, the bank offers short-term demand loans targeted to low- and moderate-income borrowers. The bank originated a significant number of these loans during the evaluation period. We did not include these loans in the sample due to their structure and the fact that the limited information available regarding them does not allow for meaningful analysis.

Table 3 details the distribution of consumer loans among borrowers of different incomes.

<b>Table 3 - Borrower Distribution of Consumer Loans in AA</b>							
Low-Income		Moderate-Income		Middle-Income		Upper-Income	
% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
25.31	13.33	16.51	36.67	18.00	31.67	40.17	18.33

Source: Random sample of consumer installment loans originated from January 2009 through February 2011; 2000 U.S. Census data

### Geographic Distribution of Loans

The bank's geographic distribution of loans in the AA reflects poor dispersion among low- and moderate-income geographies and does not meet the standard for satisfactory performance. While the bank did not originate any loans in the one low-income census tract in the AA, it is noted that less than two percent of AA households are located in that tract. This limits the bank's opportunity to lend in the census tract. However, the percentage of loans originated in moderate-income census tracts was significantly less than the percentage of households in moderate-income census tracts.

The bank’s record of lending among geographies of different income levels is also impacted by the bank’s indirect automobile lending activity. Automobile dealers originate a significant number of the bank’s loans, with the bank having no control as to where the borrowers reside. Furthermore, the low- and moderate-income census tracts are located near the outer limits of the AA, which are not as close to bank offices and where there is more competition from other financial institutions.

Table 4 details the distribution of consumer loans among census tracts of different income levels.

<b>Table 4 - Geographic Distribution of Consumer Loans in AA (by Census Tract)</b>							
Low-Income		Moderate-Income		Middle-Income		Upper-Income	
% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
1.58	0.00	16.10	3.33	79.24	90.00	3.08	6.67

*Source: Random sample of consumer installment loans originated from January 2009 through February 2011; 2000 U.S. Census data*

**Responses to Complaints**

PNB has not received any written complaints relating to its CRA performance during this evaluation period.

**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.