



SMALL BANK

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

PUBLIC DISCLOSURE

July 19, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Peoples National Bank of Mount Pleasant
Charter Number 6667**

**Union And Concord Streets
Mount Pleasant, OH 43939**

**Comptroller of the Currency
Northern Ohio
3 Summit Park Drive Summit Office Park, Suite 530
Independence, OH 44131**

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 the bank's rating include:

- The bank's net loan-to-deposit ratio is considered reasonable in relation to its peers.
- The bank's record of lending within the assessment area is satisfactory.
- The bank's record of home mortgage and consumer lending to borrowers of different income levels is excellent.

DESCRIPTION OF INSTITUTION

Peoples National Bank of Mt. Pleasant, Ohio [PNBMP] is a wholly owned subsidiary of Peoples Bancorp Inc., a one-bank holding company. As of December 31, 2002, PNB Bancorp Inc. had \$43 million in total assets and three offices. The main office is located in the Village of Mt. Pleasant, Ohio located between Martins Ferry and St Clairsville, Ohio. One branch is in the Village of Dillonvale, Ohio located 3 miles south of Mt. Pleasant. The other branch is located in the Village of Adena located 8 miles west of Mt. Pleasant. The bank provides drive-through banking service at all locations but has no ATM's. The bank's focus is on retail banking and it offers standard products and services.

As of December 31, 2002 PNBMP had \$43 million in total assets. Loans represent 34% of total assets. The distribution of PNBMP's loan portfolio is as follows: real estate loans [76%], loans to individuals [22%], and commercial and industrial loans [1%]. The balance of the portfolio consists of agricultural and municipal loans. The bank's real estate portfolio primarily consists of 1-4 family residential [94%] and commercial [6%]. The bank's primary business is originating consumer loans to customers in and around its assessment area. Net loans and leases to total assets equal 31.92% as of December 31, 2002.

The bank received a "Satisfactory" CRA rating in the previous Public Evaluation dated March 22, 1999.

There are no current financial or legal impediments that prevent the bank from meeting community needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

PNBMP's assessment area consists of portions of Jefferson and Harrison counties and is contiguous in nature. The Jefferson County portion of the assessment area is located in the

Stuebenville-Weirton OH-WV multistate metropolitan area. The Jefferson County portion of the assessment area, consisting of the southwest corner of the county, is adjacent to the Harrison County border and includes the towns of Mt. Pleasant, Dillonvale and Adena where the bank has branches. As the Village of Adena is situated in both Jefferson and Harrison Counties, the AA area includes 2 BNA's which comprise the southeast portion of Harrison County including the villages of Harrisville and Cadiz. For the purpose of this performance evaluation, both the MA and non-MA areas were combined. Reasons for the combination include the fact PNBMP does not have a branch in the non-MA, the MA geographies are adjacent to the non-MA geographies, the demographics and economic indicators are similar and the resulting AA does not extend substantially beyond the MA boundaries.

The AA consists of 3 census tracts in Jefferson County and 2 BNA's in Harrison County. All 5 census tracts (100%) are in middle-income geographies. There are no low- or moderate-income census tracts in the assessment area.

The Department of Housing and Urban Development [HUD] updated median family income for the assessment area for the year 2002 is \$43,120. The 1990 Census Bureau lists the assessment area population at 15,078 persons comprising 4,430 families. Of these families, 25.73% are low-income, 21.11% are moderate-income, 26.50% are middle-income and 26.66% are upper-income. Thirty-seven per cent of the household income in the AA is derived from social security. Households with income below the poverty level are 17% with 10% of the households relying on public assistance. Owner-occupied housing units comprise 74% of the assessment area. The housing units are primarily one-to-four family with a median housing value of \$33,708. There is little demand for new housing due to a shrinking population, lack of employment opportunities and uncertainty regarding continued employment in existing industries.

The annual average 2002 unemployment rates for the assessment area is relatively stable. According to the State of Ohio Bureau of Labor Market Information, the unadjusted average state unemployment rate for 2002 was 6.7%. The average unemployment rates for Jefferson and Harrison County are 5.8% and 6.7%, respectively. Over the length of the evaluation period, unemployment trends have remained relatively the same with only slight fluctuations.

The local economy is beginning to recover with the local steel plants and coal mines slowly calling employees back to work although both industries have had difficulties during the evaluation period. The current composition of industries within the AA includes national trade, Inter/Intra-state trade, retail, small manufacturing, medical and educational institutions. Major employers are Wheeling-Pittsburg Steel and Weirton Steel, East Ohio Regional Hospital, Ohio Valley Medical Center, Buckeye Local School District, Nickles Bakery and Belmont Correction Center.

We determined the community's credit needs by contacting a representative from local government and discussion with bank management.

We identified the following credit and non-credit needs in this AA:

- Affordable apartment housing for senior citizens of fixed-income as well as facilities providing independent and assisted living options for ailing senior citizens.

-- Small business working capital loans to existing and start-up businesses in amounts of \$100 thousand or less.

Financial institutions located within the bank's AA include local community banks, credit unions and branches of regional institutions. PNBMP's major competitors within its AA and their corresponding deposit market share include National City Bank (28%), Steel Valley Bank (17%), and US Bank (16%). PNBMP holds 18% of the deposit market share within its AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our performance evaluation was based on the following factors. Based on volume, we placed more weight on the bank's consumer lending performance. During the evaluation period, the bank originated 1,207 (84%) consumer loans and 231 (16%) home mortgage loans.

Our analysis of consumer and home mortgage loans were based on samples taken from each of these portfolios. As the bank is a HMDA reporter, our conclusions are based on all reportable home mortgage loans originated by the bank during the evaluation period. As PNBMP distinguishes home mortgage products by class code, this category includes home purchase, home improvement and home refinance loans.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AA credit needs.

PNBMP's loan-to-deposit ratio (LTD) as of December 31, 2002 was 38.36% and its average LTD over the previous 12 quarters was 42.02%. This ratio has remained stable since the last public evaluation dated March 22, 1999.

For analysis purposes, PNBMP's current and 12-quarter average LTD ratios were compared with a peer group consisting of banks of various sizes and similar purpose with total assets between \$50MM & \$100MM with two or more branches in a metropolitan area. The analysis shows PNBMP's LTD ratios are well below the peer group's 4Q02 LTD ratio of 72.25% and the 12-quarter average of 70.20%.

Several factors were at work to explain the lower ratios. The local economy never fully recovered from the halcyon days when steel manufacturing was king. The two largest steel plants have gone through a number of bankruptcies and sales to other entities who continue to downsize plant size and payrolls to remain in business and be competitive in the global marketplace. There is an overall concern about continued employment for those currently employed. Economic development in the area has tapered off in spite of countywide efforts to encourage businesses to relocate here.

PNBMP's rural location in the southwest corner of the county is somewhat isolated from the rest of the county. Situated within a 20-mile radius of the bank are the larger cities of St. Clairsville, Steubenville, Martin's Ferry, Bridgeport and Bellaire. These cities have a wider range of

financial institutions and often provide better rates and terms than the bank offers. In addition, the rural nature of the terrain and hilly topography of the AA provides only limited space for new housing developments.

Efforts to improve the loan-to-deposit ratio include the following. The bank hired a new loan officer with a strong indirect loan background and established a dealer-calling program. PNBMP is currently working with 27 dealers throughout Jefferson County and its AA. A similar calling program will be implemented to target local realtors to encourage their customers to come to PNBMP for their home mortgage loans.

Lending in Assessment Area

PNBMP's record of lending within its AA meets the standards for satisfactory performance. A substantial majority of the loans originated by the bank were located within its AA. Our conclusions are based on a sample of all home mortgage loans and 20 consumer loans as originated by the bank during the evaluation period. The following table details the bank's lending within the AA by number of loan originations and dollar volume during the evaluation period.

Loans Originated within the Assessment Area								
	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Home Mortgage	170	73.59	7127	79.04	61	26.41	1890	20.96
Home Purchase	42	75.00	2118	83.03	14	25.00	433	16.97
Home Improve	42	73.68	1248	86.79	15	26.32	190	13.21
Home Refinance	86	72.88	3761	74.80	32	27.12	1267	25.20
Consumer	17	85.00	185	81.86	3	15.00	41	18.14
Total	158	62.95	5279	57.11	93	37.05	3964	42.89

Lending to Borrowers of Different Incomes

Overall lending to borrowers of different income levels is outstanding and reflects excellent penetration.

The bank's distribution of consumer lending reflects excellent penetration among individuals of different income levels, particularly with respect to low- and moderate-income borrowers. Our conclusions are based on a sample of 33 consumer loans originated by the bank during the evaluation period.

Distribution of Lending by Borrower Income Level					
	Consumer Loans				Percentage of Households in AA
	# of loans	% of loans	\$ of loans	% of loans	

Low	14	42.42	98	30.15	29.10
Moderate	18	54.55	207	63.70	17.90
Middle	0	0.00	0	0.00	21.80
Upper	1	3.03	20	6.15	31.20

The bank's distribution of residential real estate lending reflects excellent penetration among individuals of different income levels, especially low- and moderate-income borrowers. The bank's distribution of home mortgage loans is excellent for low-income borrowers given the high poverty rate in the AA and meets the distribution of percentage of households in the moderate-income census tract.

Distribution of Lending by Borrower Income Level					
	Home Mortgage Loans				Percentage of Families in AA
	# of loans	% of loans	\$ of loans	% of loans	
Low	8	28.57	189	20.30	25.73
Moderate	6	21.43	126	13.53	21.11
Middle	5	17.86	168	18.05	26.50
Upper	9	32.14	414	44.47	26.66

Geographic Distribution of Loans

As the bank has no low- or moderate-income tracts in its AA, a geographic distribution of loans would not be meaningful.

Responses to Complaints

PNBMP has not received any written complaints regarding its performance meeting the credit and deposit needs of its AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of recent public comments and consumer complaint information regarding the bank's CRA performance was performed according to the OCC's risk based fair lending guidelines. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the current CRA evaluation this year.