

Public Disclosure

December 5, 1997

Community Reinvestment Act Performance Evaluation

**The First National Bank of Southeastern Ohio
Charter No. 5552**

**415 Main Street
Caldwell, Ohio**

Office of the Comptroller of the Currency

**Cleveland Field Office
Three Summit Park Drive, Suite 530
Independence, Ohio 44131**

Note: 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.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The First National Bank of Southeastern Ohio** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The bank's lending level reflects its commitment to lend. The bank originates an adequate number of real estate loans within its assessment area. The geographic distribution of loans reflects adequate penetration throughout the assessment area. Loans to borrowers of different income and businesses of different sizes are satisfactory.

DESCRIPTION OF INSTITUTION

The First National Bank of Southeastern Ohio (FNBSEO) is a wholly-owned subsidiary of Peoples Bancorp. Peoples Bancorp has assets of approximately \$680 million. The main office is located in Caldwell, Ohio. The bank also operates two full service branches. McConnellsville is 25 miles from the main office, and Chesterhill is 35 miles from the main office. The bank has one automated teller machine which functions as a cash dispense machine. It is located offsite at a Sunoco service station, within a mile of the main office, at interstate 77 and state route 78.

FNBSEO's total assets are \$83 million as of September 30, 1997. FNBSEO is primarily a consumer lender.

LOAN COMPOSITION		
LOAN PRODUCT	BALANCE	PERCENT
Gross Loans	\$58 Million	100%
Real estate	\$34 Million	59%
Commercial	\$ 6 Million	10%
Consumer	\$18 Million	31%

There are no financial conditions, legal constraints, or other conditions that would hinder the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNBSEO's assessment area (AA) includes both Noble and Morgan Counties in Ohio. FNBSEO's main office is in Noble County, and its two branches are in Morgan County. Noble and Morgan Counties have a total of seven block numbering areas (BNAs). There are five moderate- income BNAs and two middle- income BNAs. There are no areas considered low- income in the counties. These counties are not located in a Metropolitan Statistical Area. FNBSEO's offices are all in middle- income BNAs. The AA complies with the regulatory requirements and does not arbitrarily exclude any low- or moderate- income areas.

Caldwell, Ohio is in Noble County. It is a town with light industry and several local retail shops. The Noble County unemployment rate of 5.7% is slightly higher than the State of Ohio rate of 4.5%. Morgan County includes the towns of McConnellsville and Chesterhill. Chesterhill is a small rural town with only a few local retail shops. The town of McConnellsville is similar to that of Caldwell. The Morgan County unemployment rate of 9.6%, as of September 1997, is considered high compared to the State of Ohio rate. The unemployment rate has shown some improvement from 12% noted for the same period in 1996. Morgan County has not fully recovered from a downturn in the coal industry which was once a major employer in the area.

FNBSEO's main competition primarily consists of a savings and loan and a state bank. The Chesterhill office is the only financial institution in that area.

The 1997 Nonmetropolitan Median Family Income is \$38,800. The area consists of older housing dating back to 1962. There is virtually no new construction of homes. The area homes are predominantly, 76%, one- to four- family housing units. The median housing value is \$36,817.

POPULATION/FAMILIES/HOUSING	
	Morgan and Noble Counties
Population	25,530
Number of Families	7,182
Number of Households	9,342
Percent of Owner Occupied Units	62%

Source: 1990 Census Bureau Data

This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate- income geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

Over the 11 quarters since the last CRA examination, the bank's loan to deposit (LTD) ratio averaged 85%. This compares favorably with the peer average of 69%. The bank's LTD ratio increased from 80% at January 1995 to 94% at September 1997. The bank benefitted from good loan demand and loan purchase and participation activity with its parent. The peer's LTD ratio increased from 67% to 73% for the same period.

LENDING IN ASSESSMENT AREA:

FNBSEO's lending within the AA is satisfactory. From January 1, 1997 through September 30, 1997, the bank originated approximately 1,354 loans of which 157 were real estate loans. These loans were used to determine location and borrower income. Data on the real estate was generated from the bank's Loan Activity Register (LAR) using block numbering areas (BNAs). The consumer and commercial loan data were based on internal reports by zip code. The following chart on home mortgage loan originations shows that real estate lending in the AA is adequate. The chart combines real estate, consumer, and commercial loan originations; it shows that lending in the AA is satisfactory.

HOME MORTGAGE LOAN ORIGINATIONS				
	Number	Percent of Total Number Originated	Dollar	Percent of Total Loans Originated
Loans Inside the AA	136	87%	4,954	83%
Total Outside the AA	21	13%	1,038	17%
Total Loans Originated	157	100%	5,992	100%

HOME MORTGAGE, CONSUMER AND COMMERCIAL LOAN ORIGINATIONS				
	Number	Percent of Total Number Originated	Dollar	Percent of Total Loans Originated
Loans Inside the AA	933	69%	12,355	71%
Total Outside the AA	421	31%	4,959	29%
Total Loans Originated	1,354	100%	17,314	100%

GEOGRAPHIC DISTRIBUTION OF LOANS:

FNBSEO's geographic distribution of loans is reasonable and meets the standard for satisfactory performance. The analysis of geographic distribution is based on the bank's 1997 real estate LAR. The assessment area consists of five middle-income and two moderate-income BNAs. The majority of loans were made to borrowers in the middle income tracts. FNBSEO made an adequate number of loans in BNAs in Noble County. An adequate number of loans were originated in BNAs in Morgan County. However, little activity is noted in BNAs 9688 and 9690. BNA 9690 is a moderate-income BNA. FNBSEO management indicated that BNA 9690 is not a very large area, and it is also being serviced by a nearby town which has a couple of financial institutions.

GEOGRAPHIC DISTRIBUTION				
BNA	Number of Loans Made	Percent of Total Loans Made	Number of BNAs by Income	Percent of BNAs by Income
Moderate- Income	13	10%	2	29%
Middle- Income	123	90%	5	71%
Total	136	100%	7	100%

LENDING TO BORROWERS OF DIFFERENT INCOME AND BUSINESSES OF DIFFERENT SIZES

FNBSEO's lending to borrowers of different income levels is reasonable and meets the standard for satisfactory performance. This is based on an evaluation of all housing related loans originated between January 1, 1997 and September 30, 1997. Based on the LAR, the distribution of loans to borrowers based on income are fairly proportionate.

DISTRIBUTION OF 1997 HOUSING RELATED LOANS BY BORROWER INCOME			
Income Level of Borrower	# of loans	% of loans by #	% FAMILIES IN BNA AREA
LOW	16	13%	26%
MODERATE	40	29%	21%
MIDDLE	40	29%	26%
UPPER	40	29%	27%
TOTAL	136	100%	100%

The distribution of FNBSEO's small business loans is good. Primarily all businesses located in the AA meet the definition of small business which are those with annual gross revenues of \$1 million or less. During the first nine months of 1997, FNBSEO made loans to 61 business entities. Fifty-five, or 90%, of those were small businesses. Reportedly, FNBSEO has no farm loans.

No evidence of discriminatory or other illegal credit practices, on any prohibited basis, was noted during the course of the examination. The bank is in compliance with the substantive provisions of the antidiscrimination laws.