



PUBLIC DISCLOSURE

September 29, 2016

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
Cleveland Field Office
200 Public Square Suite 1610
Cleveland, OH 44114-2301

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 bank's net loan-to-deposit (LTD) ratio is reasonable.
- The bank originates a majority of its loans within its assessment areas (AAs).
- The bank's distribution of loans among borrowers of different incomes is reasonable, and meets the standard of satisfactory performance.
- The bank's distribution of loans among geographies of different income levels is reasonable, and meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

We evaluated The Peoples National Bank of Mount Pleasant's (PNB's) performance in relation to the Community Reinvestment Act (CRA) using full-scope CRA small bank procedures. The evaluation period for this examination covered March 7, 2011, the date of our previous evaluation, through December 31, 2015. Specifically, we assessed the bank's lending performance based on its lending within its AAs based on a sample of 181 indirect automobile loans originated by the bank between January 1, 2014 and December 31, 2015. Based on a review of the bank's internal reports of lending activity over the evaluation period, a review of the bank's Reports of Condition and Income, and management discussions, we determined that the bank's primary loan product is indirect automobile loans (i.e., automobile loans that borrowers applied for at a dealership). In addition to the information obtained from our loan sample, we utilized 2010 U.S. Census data and information from community contacts to assess the AA and the performance of financial institutions in the AAs.

While PNB reports home loan data under the requirements of the Home Mortgage Disclosure Act (HMDA), we did not use HMDA data to evaluate the bank's performance because the volume of home mortgage loans originated by the bank has been low, and mortgage loans were not a primary loan product during the evaluation period.

PNB has three AAs for evaluation purposes, as discussed in the **Description of the Assessment Areas** section of this report. When determining the bank's overall performance ratings, we placed more emphasis on lending in the Jefferson County AA because it contains all of the bank's branches and deposits, and therefore serves as the bank's primary market.

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, which is located in southwestern

Jefferson County. The bank offers traditional banking products through its main office and two branches located in Adena, Ohio and Dillonvale, Ohio. Consumer-related deposit products include checking, savings, certificate of deposit, and individual retirement accounts, online and telephone banking, mobile banking, overdraft protection, and safe deposit box and night depository services.

PNB also offers products specifically designed to serve low- and moderate-income customers, including free checking, free government check cashing, low minimum balance savings accounts, low minimum balance IRA accounts, and short-term unsecured demand loans. All three banking offices provide drive-up teller services. The bank does not have any automated teller machines (ATMs). PNB did not open or close any branches during the evaluation period.

As of December 31, 2015, PNB reported \$59.3 million in total assets and \$7.1 million in Tier One capital. Loans totaled \$39.3 million, or 69.06 percent of total assets. The bank's loan portfolio primarily includes consumer loans (51 percent) and commercial and residential real estate loans (47 percent), with the balance of the portfolio comprised of other loans. Consumer lending is focused on automobile loans. During 2015, the bank's strategy included increasing the volume of residential mortgage loans in order to diversify the loan portfolio, but indirect automobile loans remain the largest component of the overall loan portfolio.

There are no legal or financial impediments inhibiting PNB's ability to meet the credit needs of its AAs. The bank's previous CRA Performance Evaluation was dated March 7, 2011, and also resulted in a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREAS

The bank has three AAs including its Jefferson County AA, Belmont County AA, and Harrison County AA. Each AA contains portions of the associated counties and meets the requirements of the CRA. They consist of contiguous geographies where low- and moderate-income areas are not arbitrarily excluded. Each AA is described below.

Jefferson County AA

PNB's Jefferson County AA is comprised of the central and southern portions of Jefferson County, and includes 18 census tracts. The Jefferson County AA is part of the Weirton-Steubenville WV-OH Metropolitan Statistical Area (MSA), which is comprised of Jefferson County in Ohio and Brooke County in West Virginia. The AA includes two low-income census tracts, three moderate-income tracts, 12 middle-income tracts, and one upper-income tract. This is the bank's primary AA, where PNB is headquartered and all of its branch offices are located. Based on the June 30, 2015, FDIC Deposit Market Share report, 100 percent of the bank's total deposits were originated and serviced in this AA.

According to 2010 U.S. Census data, the AA's population is 55,827 persons, comprising 15,181 families. The Department of Housing and Urban Development's (HUD's) updated median family income (MFI) for the AA is \$53,100. Based on this information, 19.96 percent of the families in the AA are low-income, 17.28 percent are moderate-income, 22.96 percent are middle-income, and 39.80 percent are upper-income. Furthermore, 12.69 percent of the low-income families and 17.53 percent of total households live below the poverty level. Forty-four percent of the households receive income from social security or public assistance. There are 26,646 housing units in the AA, 63 percent of which were owner-occupied, 26 percent were rental units, and 12 percent were vacant. The median home value was \$83,038.

A majority of businesses in the AA are small as measured by the number of employees and gross revenues. According to the 2015 Dun & Bradstreet (D&B) data, 75 percent of businesses located in the AA have less than \$1 million in gross annual revenues, and 66 percent of businesses have fewer than five employees. Only three percent of businesses operating in the AA are headquartered in the AA, and 86 percent operate from a single location. The five largest employers within the AA include the Titanium Metals Corporation/Timet, Franciscan College of Steubenville, Jefferson County Government, Wal-Mart Distribution Center, and Trinity Health System.

The economic conditions in the Jefferson County AA have generally fared worse than the other AAs and the State of Ohio during the period of review. Unemployment levels in Jefferson County averaged 7.1 percent in 2014, and increased to 7.9 percent in 2015. The State of Ohio unemployment rates during 2014 and 2015 were 4.9 percent and 4.7 percent, respectively.

Banking competition within Jefferson County is high. According to the June 30, 2015, FDIC Deposit Market Share reports, there are eight financial institutions with 25 offices serving Jefferson County, which does not include credit unions or other financial organizations. This data indicates that PNB is ranked seventh in terms of deposit market share, with 6.05 percent of the total deposits. The top five lenders in the county are large banks, and had an 84 percent combined market share.

Belmont County AA

PNB's Belmont County AA is comprised of the northeast portion of Belmont County, and includes five census tracts. Belmont County is part of the Wheeling WV-OH MSA, which also includes Ohio County in West Virginia. The bank does not have any branches in Belmont County, but it does business with several auto dealerships in the area. The AA includes one low-income census tract, one moderate-income tract, and three middle-income tracts.

According to 2010 U.S. Census data, the AA's population is 14,680 persons, comprising 4,171 families. HUD's updated MFI for the AA is \$54,000. Based on this information, 23.88 percent of the families in the AA are low-income, 17.43 percent are moderate-income, 23.50 percent are middle-income, and 35.20 percent are upper-income.

Furthermore, 14.10 percent of low-income families and 18.42 percent of households are below the poverty level. Thirty-eight percent of the number of households receive income from social security or public assistance. Approximately 58.32 percent of the owner-occupied households are located in middle-income census tracts with only 27.00 and 14.67 percent located in the low- and moderate-income tracts, respectively. There were 6,623 owner-occupied households in the AA, and the median home value was \$75,076.

A majority of businesses in the AA are small. According to the 2015 D&B data, 76 percent of businesses located in the AA have less than \$1 million in gross annual revenues, and 67 percent have fewer than five employees. Only three percent of businesses operating in the AA are headquartered there, and 87 percent operate from a single location. The five largest employers in the AA include Commercial Vehicle Group, Murray Energy/Ohio Valley Coal Company, Belmont Community Hospital, Belmont County Government, and East Ohio Regional Hospital.

The economic conditions within the Belmont County AA have declined. During 2014 and 2015, the unemployment rate for the AA was 5.8 percent and 6.7 percent, respectively.

Banking competition within Belmont County is high. According to the June 30, 2015, FDIC Deposit Market Share report, there are nine financial institutions with 14 offices serving the Belmont County AA. This does not include credit unions or other financial organizations. The top five lenders include three large banks and two regional banks, which held a combined 77.82 percent of the market share.

Harrison County AA

PNB's Harrison County AA is located along the eastern & southern borders of Harrison County, and includes two census tracts that are both middle-income. Harrison County is a non-MSA demographic area. The bank has does not have any branches in the AA, but it does business with several auto dealerships in the area.

According to 2010 U.S. Census data, the AA's population is 5,832 persons, comprising 1,620 families. HUD's updated MFI for the AA is \$56,900. Based on this information, 26.48 percent of the families in the AA are low-income, 16.17 percent are moderate-income, 21.79 percent are middle-income, and 35.56 percent are upper-income. Furthermore, 13.64 percent of low-income families and 20.10 percent of households are below the poverty level. Thirty-eight percent of the number of households receive income from social security or public assistance. The median home value for the AA was \$79,844.

A majority of businesses in the AA are small. According to the 2015 D&B data, 72 percent of businesses located in the AA have less than \$1 million in gross annual revenues, and 69 percent of businesses have fewer than five employees. Only two percent of businesses operating in the AA are headquartered in the AA, and 85 percent

operate from a single location. The largest employers within the AA include Bowerston Shale Company, Harrison Community Hospital, Harrison County Government, Harrison Hills City Schools, and McDonough Corporation.

The economic conditions within the Harrison County AA are similar to the Belmont County AA. During 2014 and 2015, the unemployment rates for the AA were 5.8 percent and 6.6 percent, respectively.

Banking competition within Harrison County is low. According to the June 30, 2015, FDIC Deposit Market Share report, there are three financial institutions with three offices serving the AA, not including credit unions or other financial organizations.

Community Contacts

We conducted three community contacts as part our evaluation, with one community contact servicing each of PNB's AAs. The purpose of the contacts was to determine the credit needs in the bank's AA. The focus of comments from these contacts was on quality, affordable housing. Some affordable housing exists but is often substandard and hazardous. The shale boom has increased rent levels, reducing the housing options available to low- and moderate-income families. Each contact also indicated there is a need for donations or funding to support their programs and operations. Other needs included volunteers for Food Bank and Head Start programs, funding for home weatherization services, and technical infrastructure upgrades for their facilities. The contact that services the Harrison County AA indicated there is a need for a marketing expert to assist with the Cadiz senior outreach program.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

PNB's record of lending in its AAs meets the standard for satisfactory performance. Our analysis is based on a review of a sample of 181 indirect automobile loans originated by the bank during 2014 and 2015. Conclusions regarding borrower distribution and geographic distribution are based on the 143 loans in our sample that were originated within the bank's AAs.

The bank also offers short-term demand loans targeted to low- and moderate-income borrowers. We did not include these loans when considering the bank's performance, due to their structure and the fact that the bank obtains limited information from the borrowers that does not allow for meaningful analysis. The bank originated 234 demand loans during 2014 and 2015, totaling approximately \$419,000.

Loan-to-Deposit Ratio

PNB's average quarterly loan-to-deposit (LTD) ratio has been reasonable, and meets the standard for satisfactory performance. The bank's LTD ratio averaged 69.60 percent during the 20 quarters since the last examination, and ranged from a low of

59.18 percent to a high of 86.18 percent. Furthermore, the bank's LTD ratio steadily increased during the last four quarters of 2015.

The bank's average LTD ratio also ranks highest when compared to three other local financial institutions of similar size. The other institutions' ranged in asset size from \$60 million to \$450 million, and their LTD ratios averaged 46.31 percent during the same 20 quarter period.

Lending in Assessment Area

PNB's record of lending inside its AAs meets the standard for satisfactory performance. Based on our sample of 181 indirect automobile loans, the bank originated a majority of its loans inside its assessment areas. Table 2 shows that the bank originated 143 of the 181 loans, representing 79.01 percent of the number of loans and 77.73 percent of the dollar volume of loans, inside its AAs. Only 38 of the loans, representing 20.99 percent of the number of loans and 22.27 percent of the dollar volume of loans, were originated outside the bank's AAs.

Table 2 - Lending in PNB's Assessment Areas (Indirect Automobile Loans)									
Number of Loans					Dollars of Loans (000s)				
Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
#	%	#	%		\$	%	\$	%	
143	79.01	38	20.99	181	1,804	77.73	517	22.27	2,321

Source: Random sample of indirect auto loans originated from January 2014 through December 2015.

Lending to Borrowers of Different Incomes

Overall, PNB's record of lending to borrowers of different incomes is reasonable, and meets the standard for satisfactory performance.

As discussed in the **Scope of Examination** section of this report, when determining the bank's overall performance, we placed more emphasis on its record of lending in the Jefferson County AA. When evaluating the bank's performance in each individual AA, we also considered the level of competition in the AA, and how it would affect the bank's ability to lend. Furthermore, we considered the number of families that live below the poverty level, as the ability to lend to the low-income population of each AA is limited.

Jefferson County AA

PNB's distribution of indirect automobile loans within the Jefferson County AA reflects reasonable penetration to borrowers of different incomes. Our analysis is based on the 104 loans in our sample that were originated in this AA, which represented 72.72 percent of the 143 loans in the sample that were originated within the bank's three AAs.

As shown in Table 2 below, the 22.12 percent of indirect automobile loans that the bank originated to low-income borrowers was near the 26.14 percent of low-income households in the AA, and the 30.77 percent of loans originated to moderate-income borrowers significantly exceeded the 14.70 percent of moderate-income households in the AA.

Table 2 - Borrower Distribution of Indirect Auto Loans in the Jefferson County AA							
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
26.14	22.12	14.70	30.77	17.95	21.15	41.21	25.96

Source: Random sample of indirect auto loans originated from January 2014 through December 2015; 2010 U.S. Census data. Households with income below poverty level equals 17.53 percent.

Belmont County AA

PNB’s distribution of indirect automobile loans within the Belmont County AA reflects reasonable penetration to borrowers of different incomes. Our analysis is based on the 29 loans in our sample that were originated in this AA, which represented 20.28 percent of the 143 loans in the sample that were originated within the bank’s three AAs.

As shown in Table 3 below, the percentage of indirect automobile loans that the bank originated to low-income borrowers was only slightly below the percentage of low-income households in the AA, and the percentage of loans originated to moderate-income borrowers exceeded the percentage of moderate-income households in the AA.

Table 3 - Borrower Distribution of Indirect Auto Loans in the Belmont County AA							
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
28.30	27.59	16.47	17.24	16.68	27.59	38.55	27.59

Source: Random sample of indirect auto loans originated from January 2014 through December 2015; 2010 U.S. Census data. Households with income below poverty level equals 18.42 percent.

Harrison County AA

PNB’s distribution of indirect automobile loans within the Harrison County AA reflects reasonable penetration to borrowers of different incomes. Our analysis is based on the 10 loans in our sample that were originated in this AA, which represented 7.0 percent of the 143 loans in our sample that were originated within the bank’s three AAs.

As shown in Table 4 below, the percentage of indirect automobile loans that the bank originated to low-income borrowers exceeded the percentage of low-income households

in the AA, and the percentage of loans originated to moderate-income borrowers significantly exceeded the percentage of moderate-income households in the AA.

Table 4 - Borrower Distribution of Indirect Auto Loans in the Harrison County AA							
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
34.15	40.00	15.55	50.00	16.31	0.00	33.99	10.00

Source: Random sample of indirect auto loans originated from January 2014 through December 2015; 2010 U.S. Census data. Households with income below poverty level equals 20.10 percent.

Geographic Distribution of Loans

Overall, PNB’s geographic distribution of indirect automobile loans among geographies of different income levels reflects a reasonable dispersion throughout the bank’s AAs, and meets the standard for satisfactory performance.

As discussed in the **Scope of Examination** section of this report, when determining the bank’s overall performance, we placed more emphasis on its record of lending in the Jefferson County AA. In determining our ratings for each AA, we gave consideration to the factors detailed within the **Description of Assessment Areas** section that could affect the bank’s ability to lend throughout each AA. These factors include competition, the bank’s lack of physical branch presence in the Jefferson County and Harrison County AAs, and the number of low- and moderate-income census tracts in each AA.

Jefferson County AA

PNB’s geographic distribution of indirect automobile loans among geographies of different income levels reflects an excellent dispersion within the bank’s Jefferson County AA, and exceeds the standards for satisfactory performance.

As shown in Table 5, the 1.92 percent of the bank’s indirect automobile loans originated within the Jefferson Count AA to borrowers living in low-income census tracts is less than the 4.72 percent of the AA’s households located within those census tracts. However, the 46.15 percent of the bank’s indirect automobile loans originated to borrowers living in moderate-income census tracts significantly exceeds the 12.38 percent of the AA’s households located within those census tracts.

Table 5 - Geographic Distribution of Indirect Auto Loans in the Jefferson County AA							
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
4.72	1.92	12.38	46.15	78.26	51.92	4.64	0.00

Source: Random sample of indirect auto loans originated from January 2014 through December 2015; 2010 U.S. Census data.

Belmont County AA

PNB’s geographic distribution of indirect automobile loans among geographies of different income levels reflects a reasonable dispersion within the bank’s Belmont County AA, and meets the standards for satisfactory performance.

As shown in Table 6, the percentage of the bank’s indirect automobile loans originated within the Belmont County AA to borrowers living in low-income census tracts is slightly lower than the percentage of the AA’s households located within those census tracts. The percentage of the bank’s indirect automobile loans originated to borrowers living in moderate-income census tracts exceeds the percentage of the AA’s households located within those census tracts.

Table 6 - Geographic Distribution of Indirect Auto Loans in the Belmont County AA							
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
11.84	10.34	15.87	31.03	72.79	58.62	0.00	0.00

Source: Random sample of indirect auto loans originated from January 2014 through December 2015; 2010 U.S. Census data.

Harrison County AA

The Harrison County AA does not include any low- or moderate-income census tracts. As a result, an analysis of the geographic distribution of the bank’s loans within this AA would not be meaningful.

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or federal savings association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.