



Public Disclosure

February 8, 1999

Community Reinvestment Act Performance Evaluation

**Peoples National Bank
Charter Number: #13596**

**110 North Main Street
P.O. Box 111
New Lexington, Ohio 43764**

**Comptroller of the Currency
Central Ohio Field Office
325 Cramer Creek Court, Suite 202
Dublin, Ohio 43017**

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 **Peoples National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 8, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated Satisfactory record of meeting community credit needs.

Based on our sample of loans reviewed during this examination, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. Our examination also indicates that a substantial majority of the bank's activity occurs within its assessment area and demonstrates excellent dispersion throughout that area. The bank's loan-to-deposit ratio is reasonable when compared with ratios of national, custom, and local peer banks over the last three-year period.

Description of Institution:

Peoples National Bank (PNB) is a wholly owned subsidiary of Peoples National BancShares, Inc., a one-bank holding company. PNB's two full service offices are in New Lexington, Ohio, approximately 70 miles southeast of Columbus, Ohio. PNB offers primarily retail banking products and services, with some commercial business, out of those two offices. PNB will open a full-service branch in Junction City, which is about 5 miles west of New Lexington, during the second quarter of 1999. Competition is aggressive and comes from several local community banks, branches of two larger community/regional banks, and representatives of two mortgage companies. No legal or financial impediments exist that could restrict the institution's ability to serve the community's credit needs.

As of September 30, 1998, the bank has \$66.8 million in total assets and gross loans of \$40.1 million. Loans secured by one-to-four family residential properties represent 50% of gross loans, with the remainder divided among loans to individuals (30%), and commercial and industrial loans (20%).

Description of Assessment Area:

The bank's Assessment Area (AA) consists of all the six block numbering areas (BNA) in Perry County. Perry County has four moderate-income tracts and two middle-income tracts. The AA complies with all regulatory requirements and does not arbitrarily exclude any low- and moderate-income areas. The non-metropolitan area median family income is \$40,500.

Perry County's economy remains weak with the unemployment rate at 7.4% compared with Ohio's rate of 3.8% as of December 1998. Also, the percentage of families living below the poverty line has not improved much since our last CRA review in January 1996. These families went from 19.0% of the population at our last CRA review to 16.0% currently. The southern part of the county remains the most distressed section with the highest unemployment and poorest population. Significant economic improvement is not expected due to the county's location, poor infrastructure, and no local hospital.

Our discussions with community leaders and bank personnel indicate that community credit needs are adequately met. They identified credit needs as housing loans for low- and moderate-income families, consumer loans to individuals, and small businesses financing.

Conclusions with Respect to Performance Criteria:

Lending to Borrowers of Different Income and Businesses of Different Sizes -

Based on the demographics of its AA, the bank's lending to borrowers of different income levels and businesses of different sizes is reasonable. As of December 1998, 48.8% of the families within the AA were categorized as low- or moderate-income (25.9% as low and 22.9% as moderate). Within the moderate-income BNAs, (area of concentration for bank lending activity), 53.9% of the families are classified as low- or moderate-income (30.8% as low and 23.1% as moderate). We reviewed 73 consumer loans (46, 1-4 family residential real estate loans and 27 loans to individuals) made in the bank's AA. Of those loans, 16.4% were to low-income borrowers and 37.0% were to moderate-income borrowers. We also reviewed 18 commercial loans to businesses within the bank's AA, of which 88.9% were to small businesses. This percentage compares favorably with the characteristics of the AA, with 73.6% of the businesses categorized as small.

Lending in Assessment Area -

A substantial majority of the bank's loans are made within its AA. We sampled a total of 100 loans made within the past three years. That sample included 50, 1-4 family residential loans, 30 loans to individuals, and 20 commercial and industrial loans. Of those loans, 91 were made to borrowers in the bank's AA. We used those 91 loans as the sample to evaluate the bank under the *Lending to Borrowers of Different Income and Businesses of Different Sizes* and the *Geographic Distribution of Loans* performance criteria.

Loan-to-Deposit Ratio -

The bank's loan-to-deposit (LTD) ratio is reasonable when compared with ratios of national, custom, and local peer banks. Over the past 12 quarters, the bank's LTD ratio averaged 73.7%. This is higher than with national and custom peer averages of 64.1% and 69.3%, respectively. The custom peer consists of banks in Kentucky, Indiana, Ohio, and West Virginia with total assets between \$40 and \$80 million and similar loan portfolio structures. As of September 30, 1998, the bank's LTD ratio of 67.9% is reasonable in comparison with LTD ratios reported by two local community banks of 70.2% and 81.43%.

Geographic Distribution of Loans -

The following tables illustrate that the bank's geographic distribution of loans reflects excellent dispersion, with a strong concentration in moderate-income areas, throughout its AA.

<u>DISTRIBUTION OF 1-4 FAMILY RESIDENTIAL LOANS IN THE AA (46)</u>		
	% of total owner-occupied units in each type of tract	% of loan sample in each type of tract
Moderate-Income Tracts (4)	64%	89%
Middle-Income Tracts (2)	36%	11%

<u>DISTRIBUTION OF LOANS TO INDIVIDUALS IN THE AA (27)</u>		
	% of total population in each type of tract	% of loan sample in each type of tract
Moderate-Income Tracts (4)	66%	100%
Middle-Income Tracts (2)	34%	0%

<u>DISTRIBUTION OF COMMERCIAL AND INDUSTRIAL LOANS IN THE AA (18)</u>		
	% of total businesses in each type of tract	% of loan sample in each type of tract
Moderate-Income Tracts (4)	61%	78%
Middle-Income Tracts (2)	39%	22%

Based on the total sampled loans in its AA (91), the bank made 90% in the four moderate-income tracts and 10% in the two middle-income tracts. Given that the bank's two offices are in the center of the moderate income tracts, we expected these results. The distribution did not identify any areas of little or no penetration.

Consumer Complaints -

They have submitted no complaints relating to the bank's CRA performance about the bank since our previous examination.

Other -

Based on our review of applications for unsecured consumer credit, we found no evidence of discriminatory or other illegal credit practices on any prohibited basis. We tested 11 denied single female applicants and compared them with 26 approved male applicants from September 30, 1998, to February 8, 1999.