



SMALL BANK

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

PUBLIC DISCLOSURE

August 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pike County National Bank
Charter Number 20493**

**350 Rawls Drive
Mccomb, MS 39648**

**Comptroller of the Currency
Birmingham
100 Concourse Parkway Suite 240
Birmingham, AL 35244**

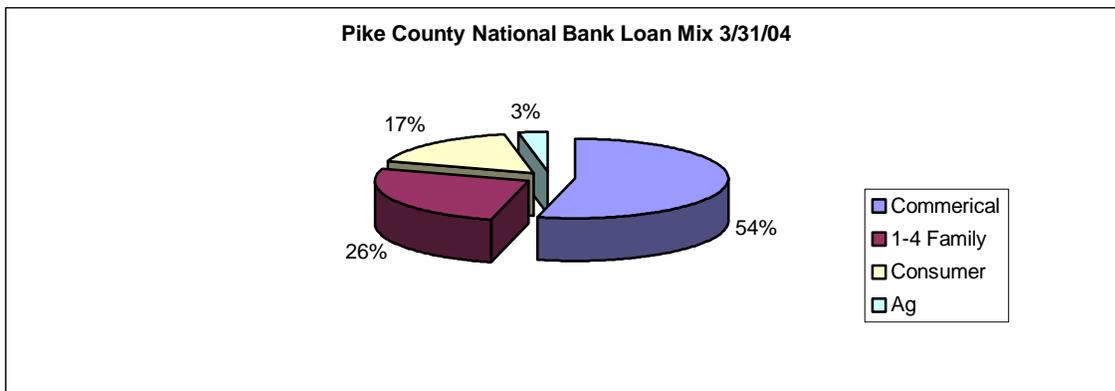
NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of 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.

This institution is rated Satisfactory.

- The level of and trend in the bank's loan-to-deposit (LTD) ratio is satisfactory.
- A substantial majority of loans are made within the bank's assessment area (AA.)
- The bank's loan portfolio is heavily weighted toward small business and residential real estate, which have been identified as primary lending needs in the AA.
- Loan analysis indicates the bank lends to borrowers of all income levels and to businesses of different sizes.
- The geographic distribution of loans within the AA is reasonable.

DESCRIPTION OF INSTITUTION

Pike County National Bank (PCNB) is a \$137 million bank headquartered in McComb, MS (Pike County.). In addition to the main office, the bank has two branches in McComb, one in Magnolia (Pike County) and one in Tylertown (Walthall County.) ATMs are located at the Main office and at the Tylertown branch. PCNB is not owned by a holding company and has one affiliate: PikeCo, a wholly owned finance company subsidiary. PCNB provides a full array of banking services including commercial and SBA loans, real estate and consumer loans, agricultural loans, and various deposit, time, and safekeeping accounts. No-fee accounts are available for individuals, seniors, and students. The loan mix based on March 31, 2004 Call Report data is as follows:



PCNB is in sound financial condition with no legal impediments, which would prevent it from meeting the credit needs of the community. The bank's previous CRA rating was "Satisfactory" as of May 4, 1999. The evaluation period for this performance report is May 5, 1999 through August 13, 2004. Conclusions for this public evaluation are based on analysis of geographic and income information for all commercial and residential real estate loans originated from January 1, 2001 to December 31, 2002.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is Pike and Walthall Counties in south central Mississippi. Pike and Walthall counties encompass ten block-numbering areas (BNA's): Pike County population is 38,940 and Walthall County population is 15,156 for total AA population of 54,096. The AA meets all legal requirements set forth by the Act and Regulation, and does not arbitrarily exclude any low or moderate-income areas.

The median family income for the AA is \$21,994, with a HUD adjusted median family income for 2002 of \$36,000. Thirty-one percent of households fall below poverty level. Table 1 below shows the demographic makeup of the AA by block numbering area and family income.

Income Level	# of BNAs	% of BNAs	# of Families	% of Families
Low	0	0	4,057	30.19%
Moderate	5	50.00%	2,404	17.89%
Middle	4	40.00%	2,165	16.12%
Upper	1	10.00%	4,811	35.80%
Total	10	100.00%	13,437	100.00%

The economy is centered in manufacturing, forestry, and health care. As of May 30, 2004, year to date average unemployment for Pike County was 5.2% and for Walthall County, 5.6%. Both counties compare favorably to the Mississippi statewide average unemployment rate of 6.1% and the U.S. unemployment rate of 5.8%. Major employers are Sanderson Farms (poultry processing, 1,476) and Southwest Health Systems (1,200), and Wal-Mart (580). Five additional manufacturing firms employ approximately 1,265 workers.

We discussed community-lending needs with a McComb city official who identified affordable housing and housing rehabilitation as prominent lending needs. He noted city efforts to encourage rehabilitation of McComb's older homes and that have fallen into disrepair. He noted that all area banks do a good job of meeting the needs of the community.

Competition within the AA is strong: PCNB held 17.93% of market deposits at June 30, 2003. There are 22 banks/branches in the AA including nine regional bank branches (Trustmark, AmSouth, Union Planters), First Bank (6), PCNB (4), Citizen's Bank of Meridian (2), and State Bank and Trust (1). First Bank, a \$249 state charter, is the only similarly situated institution although larger than PCNB. First Bank has approximately 22% of the AA market share compared to PCNB's 17.93%. However, PCNB's LTD as of 03/31/04, at 79.48% compares favorably to its similarly situated bank, indicating comparatively good lending performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- PCNB's loan-to-deposit (LTD) ratio is trending upward and performance is satisfactory in light of the bank's size, competition, and market loan demand.

The quarterly average LTD ratio for the period since the last CRA examination is 75.54%. PCNB's LTD ratio has increased over the 72.82% average LTD observed at the last performance evaluation. PCNB's March 31, 2004 LTD was 79.48%. This compares favorably to Mississippi banks with \$100MM to \$200MM in assets, whose average LTD was 70.24% at March 31, 2004.

Lending in Assessment Area

- PCNB originates a substantial majority of its loans within the AA.

More than 83% of the number and 80% of the dollar volume of commercial loans originated from January 1, 2001 to December 31, 2002 were made to businesses located within the AA. A high percentage of residential real estate loans were also made in the AA, with 78% of the number and 75% of the dollar volume of loans being made to individuals within the AA. Table 2 shows the bank's lending to businesses and individuals in the AA.

Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	686	83%	137	17%	823	\$29,007	80%	\$7,266	20%	\$36,273
Residential RE	196	78%	54	22%	250	\$7,914	75%	\$2,595	25%	\$10,509
Totals	882	82%	191	18%	1,073	\$36,921	79%	\$9,861	21%	\$46,782

Source: Source: Bank new loan reports 2001-2002.

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

- PCNB lends to individuals and businesses across all income levels.

Table 3a shows that in the AA, 76% of businesses have gross revenues of less than \$1 million. PCNB lending to small businesses correlates positively, with almost 90% of the number of loans being made to businesses with revenues less than \$1 million. Closer analysis showed that 81% of all originations (by number of loans) were made to businesses with under \$250M annual gross revenues, which is commendable.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	76.18%	4.44%
% of Bank Loans in AA by #	89.65%	5.69%
% of Bank Loans in AA by \$	49.08%	29.56%

*Source: Bank new loan reports 2001-2002; US Census data. * 20% of AA businesses and 5% of bank customers did not provide revenue data.*

Table 3b illustrates the distribution of home mortgage loans in relation to the number of families in the AA by income level. PCNB shows low penetration in lending to low-income borrowers. However, this can be at least partially mitigated when considering that a large proportion of low-income households are very low income: 31% of AA households fall below poverty level. Low-income borrowers in the AA make \$18,000 or less annually, making it extremely difficult to afford the median housing cost of \$40,225. Better penetration is noted in lending to moderate-income borrowers, with 12.40% of the bank’s originations made to these families while 17.78% of AA families are moderate-income.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
All Residential RE	30.19%	7.02%	17.78%	12.40%	16.11%	21.90%	35.80%	58.68%

Source: Bank loan data 2001-2002, U.S. Census data.

Geographic Distribution of Loans

- PCNB makes a reasonable proportion of its commercial and residential real estate loans in its moderate-income BNAs, and there are no indications of exclusionary lending with regard to any specific areas in the AA.

Table 4a below shows that 30.41% of the number of commercial loans was originated to businesses located in the bank's moderate-income BNAs. This is considered satisfactory when considering that 36.20% of businesses in the AA are situated in moderate-income tracts. Lending levels are highest in the middle-income BNA's, at 64.46% compared to 51.82% of AA businesses being situated in middle-income tracts. Only 5.95% of the number of loans was originated in the upper income BNA compared to 11.96% businesses being situated there.

BNA Income Level	Low (0)		Moderate (3 BNA's)		Middle (6 BNA's)		Upper (1 BNA)	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	NA	NA	36.20%	30.41%	51.82%	64.46%	11.96%	5.14%

Source: Bank loan data 2001-2002; US Census data.

Table 4b below illustrates that while 55.76% of owner-occupied units in the AA are located in the moderate-income BNAs, 45.41% of the bank's originations were in moderate-income BNAs. PCNB's lending is higher in the middle-income tracts, with 51.53% of its loans being made there, while 38.63% of AA owner occupied units are situated in middle-income BNA. Lending in the one upper-income BNA is minimal and correlates to the low percentage of owner occupied units in the high-income portion of AA.

BNA Income Level	Low (0)		Moderate (3)		Middle (6)		Upper (1)	
	% of AA Owner Occupied	% of Loans	% of AA Owner Occupied	% of Loans	% of AA Owner Occupied	% of Loans	% of AA Owner Occupied	% of Loans
Percentage by Number	NA	NA	55.76%	45.41%	38.63%	51.53%	5.61%	3.06%
Percentage by Dollar	NA	NA		42.20%		53.86%		3.94%

Source: Bank loan data 2001-2002; US Census data.

Responses to Complaints

PCNB has received no CRA-related complaints from the public since the prior CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discrimination or other illegal credit practices.