

PUBLIC DISCLOSURE

September 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pike County National Bank
Charter Number 20493**

**350 Rawls Drive
McComb, Mississippi 39648**

Comptroller of the Currency

**800 Woodlands Parkway, Suite 111
Ridgeland, MS 39157**

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 Community Reinvestment Act (CRA) performance of Pike County National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 20, 1996. 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 **Outstanding**.

- Pike County National Bank (PCNB) effectively serves the credit needs of the community.
- The bank maintains a high loan to deposits ratio which currently exceeds local competitors of comparable size.
- A substantial majority of loans are within the assessment area.
- The loans are well distributed between different geographies and borrowers of different income levels.
- Small business and farm loans represent a substantial portion of total commercial loans.

The following table indicates the performance level of Pike County National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Pike County National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loans to Deposits Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

PCNB is an \$80 million community bank located in McComb, Mississippi. The bank is independently owned and operates a main office and one branch office in McComb. The bank's only ATM is located at the main office. The loan portfolio primarily includes commercial loans (45%), real estate loans (21%); individual loans (19%), and agricultural loans (14%). There are no legal, financial, or other adverse factors that would impede the bank's ability to meet the credit needs of the assessment area. The bank's CRA performance was rated "Satisfactory" at their last examination on December 14, 1993.

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. The assessment area includes Pike County and the following contiguous block numbering areas (BNAs) in adjacent counties:

- o Amite County 9501 and 9503
- o Lawrence County 9603
- o Walthal County 9501
- o Franklin County 9501
- o Lincoln County 9503 and 9504

The assessment area consists of 14 BNAs (3 moderate income, 10 middle income, and 1 upper income). According to 1990 census information, the bank's assessment area includes 20,668 families of which 5,331 (26%) are low income, 3,350 (16%) are moderate income, 3,391 (16%) are middle income, and 8,596 (42%) are upper income. The major industries are related to chicken farming/processing and lumber. A large portion of local businesses are considered small businesses. Only 5 businesses in the area have total employees of over 200. The median family income and unemployment rates for the counties in the assessment area are:

County	HUD 1996 Estimated Median Family Income	Unemployment Rate
Pike	\$19,357	5%
Amite	\$18,975	3%
Franklin	\$19,101	5%
Lawrence	\$21,571	3%
Lincoln	\$22,978	4%
Walthal	\$16,992	4%
State Non-MSA	\$26,000	6%

Competition in the area is provided by one state chartered community bank with total assets at 6/30/96 of \$154 million and branches of two state-wide regional banks.

Two community leaders, one representing local government and the other community services, were contacted during the examination. Both identified affordable housing, more rental units, and higher salaried jobs through industrial development as credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loans-to-Deposits Ratio (LTD)

- o The bank's LTD reflects a strong willingness to lend.

PCNB's quarterly LTD ratio averaged a superior 74.90% since the prior CRA exam dated 12/14/94. This far exceeds the leading local competitor's average ratio of 58.86% for the same period. In the past 12 quarters, PCNB's LTD climbed from 66.53% on 9/30/93 to 77.75% on 6/30/96. At 6/30/96 PCNB had the twelfth highest LTD of the 96 Mississippi community banks with assets under \$250 million.

Lending in Assessment Areas

- o A significant portion of the bank's lending activity is within the assessment area.

Approximately 85% of the total number of loans and 81% of the total dollar volume of loans on the book are located within the assessment area. During the period from May 1, 1995 to April 30, 1996, 75% of the total number and 65.79% of the total dollar volume of all loan originations were within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

- o The bank has demonstrated a strong effort in lending to businesses and farms of different sizes.

Business and farm loans make up a large percentage of the bank's loan portfolio. Ninety-nine percent of the total number of farm loans and 96% of the total dollar volume of farm loans were to small farms. Small farms are defined as farms with less than \$500,000 in gross revenue.

Seventy-seven percent of the total number of business loans and 45% of the total dollar volume of business loans were to small businesses. Small businesses are defined as businesses with less than \$1,000,000 in gross revenue.

In addition to having a large percentage of their business loans to small businesses, the bank also has a good distribution of loans among small businesses of varying sizes. This is demonstrated by the following analysis of small business loans by loan size. Seventy-nine percent of the total number of small business loans are in amounts smaller than \$50,000. And, sixty-four percent of the total number of small business loans are in amounts smaller than \$25,000.

Small Business Loan Size	# loans	% # loans
>\$100,000	26	7
50,000-100,000	48	14
25,000-50,000	53	15
10,000-25,000	88	25
<\$10,000	138	39
Total Small Business Loans	353	100

- o The distribution of loans to borrowers of different income levels is reasonable.

We reviewed all consumer (including consumer real estate) loans originated in June, July, and August of 1996. The following is a distribution of those loans by borrower family income:

	%families by income level	# loans	% # loans	\$ loans (thousands)	% \$ loans
Low	26	55	16	194	7
Moderate	16	91	27	424	16
Middle	16	74	22	699	26
Upper	42	120	35	1,337	51
Total Loans	100	340	100	2,654	100
Total Loans LTM	42	146	43	618	23

Geographic Distribution of Loans

- o The bank's geographic distribution of loans throughout its assessment area reflects very good dispersment, especially in their moderate income BNAs.

The following is a distribution of all loans originated in the twelve months between May 1, 1995 and April 30, 1996 within the bank's assessment area.

BNAS	% BNAs by family income level	# loans	% # loans	\$ loans (thousands)	% \$ loans
Moderate	29	514	33	9,079	42
Middle	64	973	62	11,814	55
Upper	7	79	5	690	3
Total	100	1566	100	21,538	100

Response to Complaints

No complaints were received from the public since the prior examination.

No evidence of discrimination or other illegal credit practices was noted during this examination.